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HOUSE OF REPRESENTATIVES
Report
101-415

RURAL ECONOMIC DEVELOPMENT ACT OF 1990

March 7, 1990.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. de la Garza, from the Committee on Agriculture, submitted the following

REPORT

together with

ADDITIONAL AND SUPPLEMENTAL VIEWS

[To accompany H.R. 3581]

[Including cost estimate of the Congressional Budget Office]

The Committee on Agriculture, to whom was referred the bill (H.R. 3581), a bill entitled the "Rural Economic Development Act of 1990", having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the "Rural Economic Development Act of 1990".

(b) Table of Contents.—The table of contents is as follows:

TABLE OF CONTENTS

Sec. 1. Short title; table of contents.

TITLE I—REORGANIZATION OF THE DEPARTMENT OF AGRICULTURE

Sec. 101. Rural Development Administration.
Sec. 102. Conforming Amendments.

TITLE II—LOCAL PRIORITIZATION OF PROJECT FUNDING

Sec. 201. Delivery of certain rural development programs.
Sec. 202. State revolving funds for loans to very small business ventures.

TITLE III—ENHANCEMENT OF EXISTING RURAL DEVELOPMENT PROGRAMS

Sec. 301. REA technical assistance unit.
Sec. 302. Deferment of payment on economic development loans.
Sec. 303. Water and waste lending by banks for cooperatives.
Sec. 304. Amendments to the business and industry loan program.

27-420

H163-4

Sec. 305. Water or waste disposal loans to benefit rural businesses.
Sec. 306. Rural wastewater treatment circuit rider program.
Sec. 307. Increase on limitation of authorization for water and waste grants.

TITLE IV—RURAL DEVELOPMENT INFORMATION SHARING AND TECHNOLOGY TRANSFERS

Sec. 401. Rural development information sharing.
Sec. 402. Rural technology grants.

TITLE V—RURAL BUSINESS AND LEADERSHIP TRAINING

Sec. 501. Extension Service Rural Business and Leadership Training Program.

TITLE VI—RURAL ECONOMIC DEVELOPMENT RESEARCH

Sec. 601. Research on nontraditional uses of agricultural commodities.
Sec. 602. Authorization of rural development research competitive grants.
Sec. 603. Demonstration projects.

TITLE VII—RURAL ELECTRIFICATION PROVISIONS

Sec. 701. Short title; amendment of Rural Electrification Act of 1936.
Sec. 702. Findings; statement of policy.

Subtitle A—Amendment to Title I of the Rural Electrification Act of 1936

Sec. 711. General prohibitions.

Subtitle B—Amendments Relating to Title II of the 1936 Act

Sec. 721. Nonduplication of telephone facilities.
Sec. 722. Updated definition of telephone service.
Sec. 723. Loan feasibility.
Sec. 724. Encouragement of investment by telephone borrowers in rural development projects.
Sec. 725. Improvements in telephone program.
Sec. 726. Prompt processing of telephone loans.

Subtitle C—Amendments Relating to Title III of the 1936 Act

Sec. 731. Creation of separate electric and telephone accounts within rural electric and telephone revolving fund.
Sec. 732. Borrowers to determine amortization period for insured telephone loans.
Sec. 733. Tier requirement for insured telephone loans.
Sec. 734. Clarification of telephone loan guarantee authority.

Subtitle D—Amendments Relating to Title IV of the 1936 Act

Sec. 741. Modification of Rural Telephone Bank Board.
Sec. 742. Rural telephone bank capitalization.
Sec. 743. Pro rata purchase of rural telephone bank stock by rural telephone bank borrowers.
Sec. 744. Clarification of authority to set rural telephone bank loan levels.
Sec. 745. Borrowers to determine amortization period for rural telephone bank loans.
Sec. 746. Full use of rural telephone bank loan authority.
Sec. 747. Technical amendments relating to the rural telephone bank provisions of the Omnibus Budget Reconciliation Act of 1987.

Subtitle E—Effective Date

Sec. 751. Effective date.

TITLE VIII—MISCELLANEOUS

Sec. 801. Regulations
Sec. 802. Loan rates applicable to certain loans under the Consolidated Farm and Rural Development Act.
Sec. 803. Assistance for certain distressed community facility program borrowers.
Sec. 804. Water and waste facility loans and grants to alleviate health risks.
Sec. 805. Preservation of eligibility.
Sec. 806. State programs not affected.
Sec. 807. Technical corrections.

TITLE IX—NATIONAL FOREST-DEPENDENT RURAL COMMUNITIES

Sec. 901. Short title.
Sec. 902. Findings and purpose.
Sec. 903. Definitions.
Sec. 904. Rural forestry and economic diversification action teams.
Sec. 905. Action plan implementation.
Sec. 906. Training and education.
Sec. 907. Loans to economically disadvantaged rural communities.
Sec. 908. Authorization of appropriations and spending authority.

TITLE I—REORGANIZATION OF THE DEPARTMENT OF AGRICULTURE

SEC. 101. RURAL DEVELOPMENT ADMINISTRATION.

(a) AMENDMENTS TO THE CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT.—The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended—

(1) by adding at the end the following:

"SEC. 359. RURAL DEVELOPMENT ADMINISTRATION.

"(a) Establishment.—There is established in the Department of Agriculture the Rural Development Administration, which shall be headed by an Administrator appointed by the Secretary.

"(b) Administration.—Except as provided in subsection (c), or as otherwise provided in this section, the Secretary shall carry out this Act through the Farmers Home Administration.

"(c) Exceptions.—The Secretary shall carry out section 303 (in the case of loans made for purposes specified in paragraphs (2) and (3) of section 303(a)), section 304(b), section 306(a), section 306B, section 310A, section 310B, section 312(a) (in the case of loans made for the purposes specified in paragraphs (5) and (6)), section 1323 of the Food Security Act of 1985 (7 U.S.C. 1932 note), title VI of the Rural Development Act of 1972, and such other rural development programs as the Secretary determines appropriate through the Rural Development Administration.

"(d) References.—Any reference in any law, regulation, or order in effect immediately before the date of the enactment of the Rural Economic Development Act of 1990 to the Farmers Home Administration or to the Administrator of the Farmers Home Administration or of the Farmers Home Administration relating to any function, power, or duty that is, on or after such date, a function, power, or duty of the Rural Development Administration or the Administrator of the Rural Development Administration, shall be deemed to be a reference to the Rural Development Administration or to the Administrator of the Rural Development Administration, as the case may be.

"(e) Effect on Pending Proceedings and Parties to Such Proceedings.—(1) Nonabatement of Actions.—This Act does not abate any proceeding commenced—

"(A) by or against any entity any function of which is transferred by this Act; or

"(B) by or against any officer of any entity referred to in subparagraph (A) in the official capacity of such individual as such an officer.

"(2) Effect on Parties.—If an officer of the Farmers Home Administration, in the official capacity of such officer, is a party to a proceeding pending on the date of the enactment of this Act, and under this Act the officer or any function of the officer is transferred to the Rural Development Administration, Department of Agriculture, then such action shall be continued with the Secretary or the Administrator, Rural Development Administration, or other appropriate officer of the Department substituted or added as a party.

"(3) Transfer of Certain Rights of Farmers Home Administration to Rural Development Administration.—The rights, interests, obligations, and duties of the Farmers Home Administration arising before the date of the enactment of the Rural Economic Development Act of 1990 from any loan made, insured, or guaranteed, or any grant or contract made, by the Farmers Home Administration in the exercise of its functions shall—

"(A) with respect to any function to be exercised on or after such date by the Farmers Home Administration under subsection (b), continue to be vested in the Farmers Home Administration; and

"(B) with respect to any function to be exercised on or after such date by the Rural Development Administration under subsection (c), be vested in the Rural Development Administration.

"(f) Compensation of Administrator.—The Administrator of the Rural Development Administration shall be compensated in accordance with subchapter VIII of chapter 53 of title 5, United States Code."; and

(2) in section 309(e) by—

(A) inserting "and the Rural Development Administration, in proportion to such charges collected in connection with the insurance of loans by such agency" after "Farmers Home Administration"; and

(B) striking "expenses." and inserting "expenses for such agency.".

(b) Facilitation of Transfer of Functions.—(1) Notwithstanding the provisions of section 331 of the Consolidated Farm and Rural Development Act, as soon as practicable, but in no case later than one hundred and eighty days after the date of enactment of this section, the Secretary shall transfer to the Rural Development Administration the powers, duties, and assets of the agencies, offices, and other entities in the Department of Agriculture, or elements thereof, related to the performance of rural development functions, including, but not limited to, the agencies, offices, and other entities in the Department of Agriculture, or elements thereof, that administer sections 303 (in the case of loans made for purposes specified in paragraphs (2) and (3) of subsection (a)), 304(b), 306(a), 306B, 310A, 310B, and section 312(a) (in the case of loans made for the purposes specified in paragraphs (5) and (6)) of the Consolidated Farm and Rural Development Act, section 1323 of the Food Security Act of 1985 (7 U.S.C. 1932 note), title VI of the Rural Development Act of 1972, and such other rural development programs as the Secretary determines appropriate.

(2) INCIDENTAL TRANSFERS.—The Secretary shall make such determinations, and shall transfer such personnel from the Farmers Home Administration, as may be necessary or appropriate with regard to the functions transferred under this section to the Rural Development Administration. The Secretary shall also make such additional incidental dispositions of personnel, assets, liabilities, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available, or to be made available in connection with the functions transferred by this section, as the Secretary may deem necessary to accomplish the purposes of this section.

(3) EFFECTIVE AND EFFICIENT TRANSFER OF AUTHORITY.—The Administrator of the Farmers Home Administration and the Secretary shall take whatever steps are necessary to assure the effective and efficient transfer of authority as provided for in this section.

SEC. 102. CONFORMING AMENDMENTS.

(a) Section 331 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981) is amended—

(1) in the first sentence—

(A) by striking "For the purposes of this title and" and inserting "In accordance with section 359, for purposes of this title, and"; and

(B) by inserting before the period ", or may assign and transfer such powers, duties, and assets to the Rural Development Administration as provided by law for that office";

(2) in subsection (d), by striking "under any of its programs" and inserting "or the Rural Development Administration under any of their programs"; and

(3) in subsections (h) and (i), by inserting "Rural Development Administration under this title or by the" before "Farmers Home Administration" each place it appears.

(b) Section 331A of such Act (7 U.S.C. 1981a) is amended by inserting "or by the Rural Development Administration" immediately after "Farmers Home Administration".

(c) Section 335 of such Act (7 U.S.C. 1985) is amended—

(1) in subsection (a), by inserting "or the Rural Development Administration" after "Farmers Home Administration"; and

(2) in subsection (c)(1) by inserting "or the Rural Development Administration" after "Farmers Home Administration".

(d) Section 338(a) of such Act (7 U.S.C. 1988(a)) is amended by inserting "or the Rural Development Administration" after "Farmers Home Administration".

(e) Sections 657, 658, 1006, and 1014 of title 18, United States Code, are each amended by striking "Farmers' Home Administration" and inserting "Farmers Home Administration, the Rural Development Administration".

(f)(1) Section 623(c)(2) of the Community Economic Development Act of 1981 (42 U.S.C. 9812(c)(2)) is amended by inserting ", or the Rural Development Administration" after "Farmers Home Administration".

(2) Section 628 of such Act (42 U.S.C. 9817) is amended—

(A) by amending the heading to read as follows:

"DEPARTMENT OF AGRICULTURE; RURAL DEVELOPMENT ADMINISTRATION PROGRAMS",

(B) by inserting ", or of the Rural Development Administration" after "of the Farmers Home Administration".

TITLE II—LOCAL PRIORITIZATION OF PROJECT FUNDING

SEC. 201. DELIVERY OF CERTAIN RURAL DEVELOPMENT PROGRAMS.

(a) IN GENERAL.—Effective on the first day of the fiscal year immediately following the enactment of this Act, the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by adding at the end the following:

"SEC. 360. SYSTEM FOR DELIVERY OF CERTAIN RURAL DEVELOPMENT PROGRAMS.

"(a) IN GENERAL.—(1) ASSISTANCE IN ELIGIBLE STATES.—Assistance under each designated rural development program shall be provided in eligible States to qualified projects in accordance with this section.

"(2) **No Assistance in Other States.**—The Secretary shall not provide assistance under any designated rural development program in any State that is not an eligible State.

"(b) **Definitions.**—As used in this section and section 361—

"(1) **Area plan.**—The term 'area plan' means, with respect to a local or regional area in a State, the long range rural development plan developed for the area. Each area plan shall identify the geographical boundaries of the area and include—

"(A) an overall development plan for the area with goals, including business development and infrastructure development goals, and time lines based on a realistic assessment of the area, including, but not limited to—

"(i) the number and types of businesses in the area that are growing or declining, and a list of the types of businesses that the area could potentially support;

"(ii) the outstanding need for water and waste and other public services or facilities in the area;

"(iii) the realistic possibilities for industrial recruitment in the area;

"(iv) the potential for the development of tourism in the area;

"(v) the potential for the generation of employment in the area through the creation of small businesses and the expansion of existing businesses; and

"(vi) the potential for the production of value-added agricultural products in the area;

"(B) an inventory and assessment of the human resources of the area, including, but not limited to—

"(i) a current list of organizations in the area and their special interests;

"(ii) the current level of participation of area residents in rural development activities and the level of participation required for successful implementation of the plan;

"(iii) the availability of general and specialized job training in the area and the extent to which the needs of the area for such training are not being met;

"(iv) a list of area residents with special skills which could be useful in developing and implementing the plan; and

"(v) an analysis of the human needs of the area, the resources in the area available to meet those needs, and the manner in which the plan, if implemented, would increase the resources available to meet those needs;

"(C) the current degree of intergovernmental cooperation in the area and the degree of such cooperation needed for the successful implementation of the plan;

"(D) the ability and willingness of governments and citizens in the area to become involved in developing and implementing the plan;

"(E) a description of how the governments in the area will apply budget and fiscal control processes to the plan; and

"(F) the extent to which public services and facilities need to be improved to achieve the economic development and quality of life goals of the plan, taking into consideration, at a minimum—

"(i) law enforcement;

"(ii) fire protection;

"(iii) water and solid waste management;

"(iv) education;

"(v) health care;

"(vi) transportation;

"(vii) housing;

"(viii) communications; and

"(ix) the availability of, and capability to generate, electric power.

"(2) **Designated rural development program.**—The term 'designated rural development program' means a program carried out under sections 304(b), 306(a), or subsections (a) through (f) and (h) of section 310B of this Act, or under section 1323 of the Food Security Act of 1985, for which funds are available at any time during the fiscal year under such section.

"(3) **Eligible state.**—The term 'eligible State' means a State with respect to which all of the following apply not later than the effective date of this section:

"(A) **Established rural economic development review panel.**—The State has established an advisory rural economic development review panel meeting the requirements of section 361.

"(B) **Appointed state coordinator.**—The Governor of the State has appointed an officer or employee of the State government to—

"(i) manage, operate, and carry out the instructions of, the panel described in subparagraph (A); and

"(ii) serve as a liaison between the panel and the Federal and State agencies involved in rural development, including transmitting to the Secretary any list transmitted to the State coordinator pursuant to section 361(b)(6).

"(C) **Designated agency to provide administrative support to panel.**—The State has designated an agency to provide the panel and the State coordinator with support for the daily operation of the panel described in subparagraph (A).

"(4) **Qualified project.**—The term 'qualified project' means any project—

"(A) for which the agency described in paragraph (3)(C) of the State has identified—

"(i) the alternative Federal, State, local, or private sources of assistance, and

"(ii) the related activities in the State; and

"(B) to which the Secretary is required by subsection (c)(4) to provide assistance.

"(5) **State coordinator.**—The term 'State coordinator' means the individual appointed by the Governor of the State to carry out the activities described in paragraph (3)(B).

"(6) **State rural economic development review panel.**—The term 'State rural economic development review panel' or 'panel' means an advisory panel specified in section 361.

"(c) **Duties of the Secretary.**—The Secretary shall, with respect to each eligible State—

"(1) review the list, if any, transmitted pursuant to subsection 361(b)(6) by any State coordinator;

"(2) determine whether each project described in an application in the list meets the requirements of the rural development program under which the application seeks assistance;

"(3) remove from the list any application for a project that does not meet the requirements;

"(4) provide assistance, subject to available funds, to the projects in the applications remaining in the list after the list has (if necessary) been modified pursuant to paragraph (3), giving great weight to the order in which the applications for such projects are ranked by the respective State panel, and, if assistance is provided to any project without providing assistance to all projects ranked higher in priority by the panel than such project, report to the panel, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate within ten days of determining to fund such lower-ranked project on the reasons for not assisting any project ranked higher in priority by the panel;

"(5) within thirty days after the date of the enactment of any Act providing appropriations for any designated rural development program for any fiscal year, notify each State of the amounts to be made available to such State under such program for such fiscal year, and the aggregate for such fiscal year of such amounts under all the designated rural development programs;

"(6) pay per diem or otherwise reimburse each full-time officer or employee of the United States who is a member of a State rural economic development review panel for expenses incurred each day (including travel time) during which the officer or employee is engaged in the actual performance of a duty of the panel; and

"(7) from amounts appropriated for grants under any provision of section 306(a), make grants not to exceed $100,000 annually to each eligible State for the administrative costs associated with the State rural economic development review panel meeting the requirements of section 361.

"(d) **Official Information.**—The Secretary may appoint as nonvoting members, temporarily for and specific purposes, personnel from any department or agency of the United States, with the consent of the head of such department or agency, with expertise not available among the members of any State rural economic development review panel as may be necessary to enable the panel to perform a duty described in section 361(b).

"(e) ALLOCATION OF APPROPRIATED FUNDS.—(1) LIMITED TRANSFER AUTHORITY.—(A) INITIAL ALLOCATION.—The Secretary shall allocate the sums appropriated for direct loans, loan guarantees, or grants for any designated rural development program made available to the State under such program for any fiscal year to the projects specified in subsection (c)(4) giving great weight to the order in which the applications for such projects are ranked on the list specified in subsection (c)(1).

"(B) TRANSFER OF FUNDS.—If the sums appropriated for direct loans, loan guarantees, or grants for any designated rural development program made available to the State under such program for the fiscal year are insufficient to enable the Secretary to provide the full amount of the assistance requested for a project specified in subsection (c)(4), the Secretary may, subject to paragraph (2), notwithstanding any provision of law relating to appropriations for any such program for the fiscal year, transfer to the program from other such programs part or all of the sums appropriated for loans, loan guarantees, or grants, as the case may be, made available to the State for such other programs for such fiscal year.

"(C) LIMIT ON AMOUNT TRANSFERRED.—The amount transferred from a program under this subsection shall not exceed the amount for such program left unobligated after obligating to each project in an application ranked higher in priority on such list the full amount of assistance requested for each such project.

"(2) LIMITATION ON PROGRAMS FOR WHICH MAY TRANSFER.—The Secretary may not transfer funds from one grant program to another pursuant to paragraph (1) if—

"(A) the sum of—

"(i) the amount of funds transferred into a program, plus

"(ii) the amount of funds appropriated for such program receiving such transfer of funds for the fiscal year

exceeds the limit on the statutorily authorized amount of funds that may be appropriated for such program receiving such transfer of funds; or

"(B) such transfer of funds would be made—

"(i) from a grant program for which there is a limit on the statutorily authorized amount that may be appropriated for such program;

"(ii) to a grant program for which there is no limit on the statutorily authorized amount that may be appropriated for such program.

"(3) EQUITABLE REALLOCATION OF UNOBLIGATED FUNDS.—Notwithstanding paragraph (1), the Secretary shall, on July 15 of each year, and from time to time thereafter during the fiscal year as the Secretary determines appropriate, pool from among the States any unobligated funds appropriated for direct loans, loan guarantees, or grants for each designated rural development program and reallocate such funds to the States according to need, as determined by the Secretary.

"(f) INAPPLICABILITY OF FEDERAL ADVISORY COMMITTEE ACT.—The Federal Advisory Committee Act shall not apply to any State rural economic development review panel.

"(g) NO LIABILITY OF MEMBERS OF STATE RURAL ECONOMIC DEVELOPMENT REVIEW PANELS.—The members of a State rural economic development review panel shall not be liable to any person with respect to any determination made by the panel.

"(h) ELIGIBILITY FOR WATER AND WASTE FACILITY LOANS.—(1) RURAL ELECTRIFICATION PROGRAM BORROWERS.—Notwithstanding any other provision of law, a borrower under title III of the Rural Electrification Act of 1936 shall be eligible to receive loans and grants under section 306 on an equal basis with any other applicant for such assistance, and the terms and conditions, rules, criteria and other provisions of section 306 shall apply to such a borrower. In the case of applications from such a borrower, the Administrator of the Rural Electrification Administration shall provide technical assistance with respect to such water and waste facilities and loans and grants for such facilities.

"(2) PROHIBITION ON RESTRICTING WATER AND WASTE FACILITY SERVICES TO ELECTRIC CUSTOMERS.—The Secretary shall establish rules and procedures that prohibit borrowers under title III of the Rural Electrification Act of 1936 from conditioning or limiting access to, or the use of, water and waste facility services financed under the Consolidated Farm and Rural Development Act if such conditioning or limiting is based on whether individuals or entities in the area served or proposed to be served by such facility receive, or will accept, electric service from such borrower.

"SEC. 361. STATE RURAL ECONOMIC DEVELOPMENT REVIEW PANEL.

"(a) IN GENERAL.—Each State rural economic development review panel specified in section 360(b)(3)(A) shall meet all of the requirements of this section.

"(b) Duties.—The panel shall advise the Secretary on the desirability of funding applications for funding from designated rural development programs, and, in developing such advice, shall have the following duties:

"(1) Review rural development plans of local areas.—To review each area plan submitted by a local or regional area.

"(2) Evaluate area plans and applications for assistance.—(A) Area plans.—To evaluate, pursuant to a written policy and criteria, each area plan submitted by a local or regional area and either—

"(i) accept any area plan that is technically and economically adequate, feasible, and likely to succeed in meeting the stated goals of the plan, unless the plan is incompatible with any other area plan for that area that has been accepted by the panel; or

"(ii) return any plan that is technically or economically inadequate, infeasible, unlikely to be successful, or incompatible with any other area plan for that area that has been accepted by the panel, with an explanation of the reasons for the return with suggested alternative proposals.

In evaluating area plans under this subparagraph, the panel shall give great weight to the area plans or other comments submitted by intergovernmental development councils, or similar organizations made up of local elected officials, charged with the responsibility for rural or regional development.

"(B) Applications for assistance.—To evaluate each application for assistance to determine whether the project to be carried out in any area is compatible with the area plan for the area in which the project described in the application is proposed, and either—

"(i) accept any application that the panel determines to be compatible with such area plan; or

"(ii) return to the Rural Development Administration any application that the panel determines to be incompatible with such area plan.

"(3) Review and rank applications for assistance under designated rural development programs from areas with accepted area plans.—To review applications for assistance, that have been accepted pursuant to paragraph (2)(B), for projects to be carried out in any area the area plan for which has been accepted pursuant to paragraph (2)(A), taking into account the sources of assistance and related activities identified pursuant to section 360(b)(4)(A), and to rank such applications, subject to paragraphs (4) and (5), pursuant to a written policy and criteria, in an order that takes into account—

"(A) in the case of business projects described in the application—

"(i) the extent to which a project would—

"(I) stimulate rural development by creating new jobs of a permanent nature or retaining existing jobs by enabling new small businesses to be started, or existing businesses to be expanded by local or regional area residents who own and operate the businesses,

"(II) contribute to the enhancement and the diversification of the local or regional area economy,

"(III) generate or retain jobs for local or regional area residents,

"(IV) be carried out by persons with sufficient managerial capability,

"(V) be likely to become financially viable, and

"(VI) assist a local or regional area in overcoming severe economic distress;

"(ii) the distribution of assistance to projects in as many areas as possible in the State, with sensitivity to geographical distribution;

"(iii) the technical aspect of the projects;

"(iv) the market potential and marketing arrangements for the projects; and

"(v) the potential of such project to promote the growth of a rural community by improving the ability of the community to increase the number of persons residing therein and by improving the quality of life of such persons; and

"(B) in the case of infrastructure and community facility projects described in the applications the extent to which a project would—

"(i) have the potential to promote the growth of a rural community by improving the quality of life for local or regional area residents;

"(ii) affect the health and safety of local or regional area residents;

"(iii) affect business productivity and efficiency;

"(iv) enhance commercial business activity;

"(v) have the potential to promote long-term growth, including by increasing the number of persons residing in a rural communty;

"(vi) address a severe loss or lack of water quality or quantity;

"(vii) bring a community into compliance with Federal or State water or waste water standards; and

"(viii) consolidate water and waste systems and utilize management efficiencies in new systems.

"(4) PRIORITY RANKING FOR PROJECTS ADDRESSING HEALTH EMERGENCIES.—To give priority in reviewing and ranking, notwithstanding the criteria established in paragraph (3), to applications for projects designed to address a health emergency declared to be such by the appropriate Federal or State government agency.

"(5) PRIORITY BASED ON NEED.—If in ranking applications pursuant to paragraphs (3) and (4), 2 or more applications are determined to have comparable strengths in their feasibility and potential for growth, to give priority to the applications for projects for which there is the greatest need.

"(6) TRANSMIT LIST OF RANKED APPLICATIONS.—To transmit to the State coordinator a list of all applications received and indicate on the list—

"(A) for all applications accepted, the rank of such applications in accordance with paragraphs (3), (4) and (5); and

"(B) for all applications returned, the fact that the application was returned pursuant to paragraph (2)

and instruct the State coordinator to transmit the list to the Secretary.

"(7) AVAILABILITY OF LIST OF RANKED APPLICATIONS.—To make available to the public the list of ranked applications submitted under paragraph (6) and to provide a brief explanation and justification of why the project applications received their prioritization.

"(8) ESTABLISHMENT AND REVIEW OF WRITTEN POLICY AND CRITERIA FOR EVALUATING AND RANKING APPLICATIONS.—To establish and annually review the written policy and criteria used by the panel in evaluating and ranking applications in accordance with this subsection to ensure that the policy and criteria are consistent with current rural developmental needs, and to provide for public input during the development of the initial policy and criteria.

"(c) MEMBERSHIP.—(1) VOTING MEMBERS.—The panel shall be composed of not more than sixteen voting members who are representatives of rural areas—

"(A) 1 of whom is the Governor of the State or the person designated by the Governor to serve on the panel on behalf of the Governor for that year;

"(B) 1 of whom is the director of the State agency responsible for economic and community development or the person designated by the director to serve on the panel on behalf of the director for that year;

"(C) 1 of whom is appointed by a statewide association of banking organizations;

"(D) 1 of whom is appointed by a statewide association of investor-owned utilities;

"(E) 1 of whom is appointed by a statewide association of rural telephone cooperatives;

"(F) 1 of whom is appointed by a statewide association of noncooperative telephone companies;

"(G) 1 of whom is appointed by a statewide association of rural electric cooperatives;

"(H) 1 of whom is appointed by a statewide association of health care organizations;

"(I) 1 of whom is appointed by a statewide association of existing local government-based planning and development organizations;

"(J) 1 of whom is appointed by the Governor from a statewide rural development organization that is not described in any of subparagraphs (C) through (I), but if no such statewide organization exists, there shall be no appointment made under this subparagraph and, notwithstanding paragraph (1), the panel shall be composed of not more than fifteen voting members who are representatives of rural areas;

"(K) 1 of whom is appointed by a statewide association of counties;

"(L) 1 of whom is appointed by a statewide association of towns and townships, or by a statewide association of municipal leagues, as determined by the Governor;

"(M) 1 of whom is appointed by a statewide association of rural water districts;

"(N) the State director of the Federal small business development center (or, if there is no small business development center in place with respect to the State, the director of the State office of the Small Business Administration);

"(O) the representative for that State of the Economic Development Administration of the Department of Commerce; and

"(P) 1 of whom is appointed by the Secretary from among the officers and employees of the Federal Government.

"(2) Nonvoting Members.—The panel shall have not more than four nonvoting members who shall serve in an advisory capacity and are representatives of rural areas—

"(A) 1 of whom is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of business of the colleges and universities in the State;

"(B) 1 whom is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of engineering of the colleges and universities in the State;

"(C) 1 of whom is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of agriculture of the colleges or universities in the State; and

"(D) the director of the State agency responsible for extension services for the State.

"(3) Appointment of Representatives of Statewide Organizations by the Governor in Certain Cases.—(A) If there is no statewide association or organization described in subparagraph (C), (D), (E), (F), (G), (H), (I), (K), (L), or (M) of paragraph (1) of the entities described in such subparagraph, the Governor of the State will appoint an individual to fill the position or positions, as the case may be, described in the applicable subparagraph from among nominations submitted by local groups of such entities.

"(B) If there is more than one of the statewide associations or organizations described in subparagraph (C), (D), (E), (F), (G), (H), (I), (K), (L), or (M) of paragraph (1) of the entities described in such subparagraph, the Governor shall select which organization shall name a member. The Governor shall rotate such selection among such associations or organizations such that a representative of the selected association or organization shall serve no more than two years before another such association or organization is selected by the Governor.

"(d) Notification.—Each statewide organization that selects an individual to represent the organization on the panel shall have notified the Governor of the State of the selection.

"(e) Qualifications of Panel Members Appointed by the Governor.—Each individual appointed to the panel by the Governor of the State will be specially qualified to serve on the panel by virtue of the individual's technical expertise in business and community development.

"(f) Vacancies.—A vacancy on the panel shall be filled in the manner in which the original appointment was made.

"(g) Chairperson and Vice Chairperson.—The panel shall have selected two members of the panel who are not officers or employees of the United States to serve as the chairperson and vice chairperson of the panel for a term of one year.

"(h) No Compensation for Federal Members.—Except as provided in section 360(c)(6), each member of the panel who is an officer or employee of the Federal Government may not receive any compensation or benefits, in addition to that which such officer or employee receives for performance of such officer or employee's regular employment, by reason of service on the panel.

"(i) Rules Governing Panel Meetings.—

"(1) Quorum.—A majority of the members of the panel shall constitute a quorum for the purpose of conducting business of the panel.

"(2) Frequency of meetings.—The panel shall meet not less frequently than quarterly.

"(3) First meeting.—The State coordinator shall schedule the first panel meeting.

"(4) Records of meetings.—The panel shall keep records of the minutes of the meetings, deliberations, and evaluations of the panel, in sufficient detail to enable the panel to provide to interested persons the reasons for its actions.".

(b) Conforming Amendment.—Section 306(a)(3) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(3)) is amended by striking "and not inconsistent" and all that follows through "undertaken for the area".

SEC. 202. STATE REVOLVING FUNDS FOR LOANS TO VERY SMALL BUSINESS VENTURES.

(a) IN GENERAL.—On the request of a State rural economic development review panel specified in section 361 of the Consolidated Farm and Rural Development Act, the Secretary may, during one and only one fiscal year, as specified by the panel, make funds available, from the funds available to provide grants to the State in the respective fiscal year for designated rural development programs, to a State agency designated by the Governor of the State for the capitalization of a revolving fund to finance and facilitate startup or expansion of private very small businesses in the State. Such funds, once made available, shall remain available for so long as such funds are used in accordance with this section.

(b) AMOUNT MADE AVAILABLE.—(1) GENERAL FORMULA.—The amount that may be made available under subsection (a) to the revolving fund of a State in a fiscal year shall be an amount equal to—

(A) the aggregate amount available to the State in the fiscal year for designated rural development programs (as defined in section 360(b)(2) of the Consolidated Farm and Rural Development Act); multiplied by

(B) a number determined in accordance with paragraph (2).

(2) DETERMINATION OF PERCENTAGE.—(A) IN GENERAL.—Subject to subparagraph (B), the State rural economic development review panel referred to in subsection (a) small determine the number described in paragraph (1)(B).

(B) LIMITATION.—The number determined under subparagraph (A) shall not exceed 0.25 (twenty-five percent).

(c) MANAGEMENT OF REVOLVING FUND.—The State agency designated by the Governor of the State pursuant to subsection (a) shall manage, operate, and provide for the fiscal integrity of the revolving fund described in subsection (a).

(d) LOANS FROM REVOLVING FUND.—(1) DETERMINATION OF ELIGIBILITY OF APPLICANT FOR LOAN.—The State agency designated by the Governor of the State pursuant to subsection (a) shall—

(A) determine whether each applicant for a loan from the revolving fund described in subsection (a) is eligible for such a loan;

(B) transmit to the State rural economic development review panel referred to in subsection (a) any recommended application for a loan from the fund that has been submitted by an applicant who is eligible for such a loan; and

(C) make a loan from the fund to an applicant whose application is approved by the State rural economic development review panel referred to in subsection (a).

(2) REVIEW OF APPLICATION.—The State economic development review panel referred to in paragraph (1) shall—

(A) review each application for a loan from the revolving fund described in subsection (a) that is transmitted to the panel pursuant to this subsection; and

(B) determine whether or not to approve the application taking into account relevant factors, including—

(i) the extent to which the application is consistent with any area plan, as defined in section 360(b)(1) of the Consolidated Farm and Rural Development Act, accepted by such panel pursuant to section 361(b)(2) of such Act, for the area in which the project proposed by the application is to be implemented; and

(ii) the criteria set forth in sections 361(b) (3), (4) and (5) of the Consolidated Farm and Rural Development Act.

(e) USE OF FUND.—A State that receives funds under subsection (a) shall use such funds to make loans at prevailing interest rates—

(1) to enterprises described in subsection (a), directly or through intermediaries that have established programs for providing financial and technical assistance to local businesses; and

(2) for the capitalization of intrastate revolving loan funds.

(f) INTERPRETATION OF SECTION.—This section shall not be construed to prevent a State that receives funds under this section from commingling in the revolving fund described in subsection (a) amounts from other sources.

(g) DEFINITION.—For the purposes of this section the term "very small business" means any business having fewer than thirty employees.

TITLE III—ENHANCEMENT OF EXISTING RURAL DEVELOPMENT PROGRAMS

SEC. 301. REA TECHNICAL ASSISTANCE UNIT.

Title I of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) is amended by adding at the end the following:

"SEC. 17. TECHNICAL ASSISTANCE UNIT.

"(a) **Establishment.**—The Administrator shall establish a technical assistance unit to perform the duties described in subsection (b).

"(b) **Duties.**—The technical assistance unit established under subsection (a) shall—

"(1) provide advice and guidance to electric and telephone borrowers under this Act concerning the effective and prudent use by such borrowers of the investment authority under section 312 to promote rural development;

"(2) provide technical advice, troubleshooting, and guidance concerning the operation of programs or systems that receive assistance under this Act;

"(3) establish and administer various pilot projects through electric and telephone borrowers that the Administrator determines are useful or necessary, and recommend specific rural development projects for rural areas;

"(4) act as an information clearinghouse (using, to the extent practicable, the resources of the National Agricultural Library) and conduit to provide information to electric and telephone borrowers under this Act concerning useful and effective rural development efforts that such borrowers may wish to apply in their areas of operation and concerning State, regional, or local plans for long-term rural economic development;

"(5) provide information to electric and telephone borrowers under this Act concerning the eligibility of such borrowers to apply for financial assistance, loans, or grants from other Federal agencies and non-Federal sources to enable such borrowers to expand their rural development efforts; and

"(6) promote local partnerships and other coordination between borrowers under this Act and community organizations, States, counties, or other entities, to improve rural development.

"(c) **Funding.**—Not less than 3 per centum of the salaries and expenses of the Rural Electrification Administration shall be made available during each fiscal year to the technical assistance unit established in this section.".

SEC. 302. DEFERMENT OF PAYMENT ON ECONOMIC DEVELOPMENT LOANS.

Section 12 of the Rural Electrification Act of 1936 (7 U.S.C. 912) is amended by—

(1) inserting "(a)" before "The Administrator"; and

(2) adding at the end the following new subsection:

"(b)(1) The Administrator shall permit any borrower to defer the payment of principal and interest on any insured or direct loan made under this Act under circumstances described in this subsection, notwithstanding any limitation contained in subsection (a), except that such deferment shall not be permitted based on the determination of the Administrator of the financial hardship of the borrower.

"(2)(A) In the case of deferments made to enable the borrower to provide financing to local businesses, the deferment shall be repaid in equal installments, without the accrual of interest, over the 60-month period beginning on the date of the deferment, and the total amount of such payments shall be equal to the amount of the payment deferred.

"(B) In the case of deferments made to enable the borrower to provide community development assistance, technical assistance to businesses, or similar community, business, or economic development assistance, the deferment shall be repaid in equal installments, without the accrual of interest, over the 120-month period beginning on the date of the deferment, and the total amount of such payments shall be equal to the amount of the payment deferred.

"(3)(A) A borrower may defer its debt service payments only in an amount equal to an investment made by such borrower as described in paragraph (2).

"(B) The amount of the deferment shall not exceed 50 percent of the cost of financing or assistance provided under paragraph (2).

"(C) The total amount of deferments under this subsection during each of the fiscal years 1990 through 1993 shall not exceed 3 percent of the total payments due during such fiscal year from all borrowers on direct and insured loans made under this Act and shall not exceed 5 percent of such total payments due in each subsequent fiscal year.

"(D) At the time of a deferment, the borrower shall make a payment to a cushion of credit account established and maintained pursuant to section 313 in an amount equal to the amount of the payment deferred. The balance of such account shall not be reduced by the borrower below the level of the unpaid balance of the payment deferred. Subject to limitations established in annual appropriations Acts, such cushion of credit amounts and any other cushion of credit and advance payments of any borrower shall be included in the interest differential calculation under section 313(b)(2)(A).

"(4) The Administrator shall undertake all reasonable efforts to permit the full amount of deferments authorized by this subsection during each fiscal year.".

SEC. 303. WATER AND WASTE LENDING BY BANKS FOR COOPERATIVES.

(a) AUTHORIZATION.—Section 3.7 of the Farm Credit Act of 1971 (12 U.S.C. 2128) is amended by adding at the end the following:

"(f) The banks for cooperatives are authorized, for the purpose of the installation, expansion, or improvement of water facilities or systems or waste disposal facilities, to make and participate in loans and commitments and to extend other technical and financial assistance to—

"(1) cooperatives formed specifically for the purpose of establishing or operating such systems; and

"(2) rural municipalities having populations not in excess of 20,000 inhabitants, if the proceeds from such loans are used to expand existing water or waste facilities in such municipalities, to enhance the economic development of such municipalities, or to address health-related problems of the inhabitants of such municipalities.".

(b) CONFORMING CHANGE.—Section 3.8(b)(1) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)) is amended by adding at the end the following:

"(D) Any cooperative or municipality described in section 3.7(f).".

SEC. 304. AMENDMENTS TO THE BUSINESS AND INDUSTRY LOAN PROGRAM.

Section 310B(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932(a)) is amended by—

(1) inserting before the first sentence the following:

"The Secretary may also make and insure loans to small and very small rural businesses to assist in the startup and expansion of such businesses that have presented an application for a business project meeting the criteria established under section 361(b)(3)(A) to the applicable State rural economic development review panel defined in section 360(b)(7).";

(2) striking "$25,000,000" and inserting "$5,000,000"; and

(3) adding at the end the following:

"The primary purpose of the program established under this subsection shall be to assist small and very small rural businesses, as provided in the first sentence of this subsection. For the purposes of this section, the term 'very small business' means a business having fewer than 30 employees; and the term 'small business' shall not be defined in such a manner as to be inconsistent with the definition of such term established by the Small Business Administration pursuant to section 112(b) of Public Law 94-305 (15 U.S.C. 632).".

SEC. 305. WATER OR WASTE DISPOSAL LOANS TO BENEFIT RURAL BUSINESSES.

Section 306(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(1)) is amended by inserting "rural businesses," after "farm laborers,".

SEC. 306. RURAL WASTEWATER TREATMENT CIRCUIT RIDER PROGRAM.

(a) ESTABLISHMENT.—The Secretary shall establish a national rural wastewater circuit rider grant program that shall be modeled after the existing National Rural Water Association Rural Water Circuit Rider Program that receives funding from the Farmers Home Administration.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $4,000,000 each fiscal year to carry out the program established under subsection (a).

SEC. 307. INCREASE ON LIMITATION OF AUTHORIZATION FOR WATER AND WASTE GRANTS.

Section 306(a)(2) of the Consolidated Farm and Rural Development Act is amended by striking ": *Provided*, That for fiscal years commencing after September 30, 1981, such grants may not exceed $154,900,000 in any fiscal year".

TITLE IV—RURAL DEVELOPMENT INFORMATION SHARING AND TECHNOLOGY TRANSFERS

SEC. 401. RURAL DEVELOPMENT INFORMATION SHARING.

Section 306(a)(12)(A) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(12)(A)) is amended by inserting ", that shall be located in the National Agricultural Library," after "establish a system".

SEC. 402. RURAL TECHNOLOGY GRANTS.

(a) AUTHORIZATION.—Section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) is amended by striking subsection (f) and inserting the following:

"(f)(1) The Secretary shall make grants under this subsection to nonprofit institutions for the purpose of enabling such institutions to establish and operate centers for rural technology or cooperative development.

"(2) Any nonprofit institution seeking a grant under paragraph (1) shall submit to the Secretary an application containing a plan for the establishment and operation by such institution of a center for rural technology or cooperative development. The Secretary may approve such application if such plan contains the following:

"(A) A provision that substantiates that such center will effectively serve rural areas in the United States.

"(B) A provision that the primary objective of such center will be to improve the economic condition of rural areas by promoting the development (through technological innovation or cooperative development and the adaptation of existing technology) and commercialization of—

"(i) new services and products that can be produced or provided in rural areas;

"(ii) new processes that can be utilized in the production of products in rural areas; and

"(iii) new enterprises that can add value to on-farm production through processing or marketing.

"(C) A description of the activities that such center will carry out to accomplish such objective. Such activities may include the following:

"(i) Programs for technology research, investigations, and basic feasibility studies in any field and discipline for the purpose of generating principles, facts, technical knowledge, new technology, or other information that may be useful to rural industries, cooperatives, agribusinesses, and other persons or entities in rural areas served by such centers in the development and commercialization of new products, processes, or services.

"(ii) Programs for the collection, interpretation, and dissemination of existing principles, facts, technical knowledge, new technology, or other information that may be useful to rural industries, cooperatives, agribusinesses, and other persons in rural areas served by the center in the development and commercialization of new products, processes, or services.

"(iii) Programs providing training and instruction for individuals residing in rural areas served by the center with respect to the development (through technological innovation, cooperative development, and adaptation of existing technology) and commercialization of new products, processes, or services.

"(iv) Programs providing loans and grants to individuals, small businesses, and cooperatives in rural areas served by the center for purposes of generating, evaluating, developing, and commercializing new products, processes, or services.

"(v) Programs providing technical assistance and advisory services to individuals, small businesses, cooperatives, and industries in rural areas served by the center for purposes of developing and commercializing new products, processes, or services.

"(vi) Programs providing research and support to individuals, small businesses, cooperatives, and industries in rural areas served by the center for purposes of developing new agricultural enterprises to add value to on-farm production through processing or marketing.

"(D) A description of the contributions that such activities are likely to make to the improvement of the economic conditions of the rural areas for which such center will provide services.

"(E) Provisions that such center, in carrying out such activities, will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

"(F) Provisions that such center—

"(i) will consult with any college or university administering any program under title V of the Rural Development Act of 1972 in the State in which such center is located; and

"(ii) will cooperate with such college or university in the coordination of such activities and such program.

"(G) Provisions that such center will take all practicable steps to develop continuing sources of financial support for such center, particularly from sources in the private sector.

"(H) Provisions for—

"(i) monitoring and evaluating such activities by the institution operating such center; and

"(ii) accounting for money received by such institution under this section.

"(I) Provisions that such center will provide for the optimal application of such technology and cooperative development in rural areas, especially those areas adversely affected by adverse agricultural economic conditions, through the establishment of demonstration projects and subcenters for—

"(i) rural technology development where the technology can be implemented by communities, community colleges, businesses, cooperatives, and other institutions; or

"(ii) cooperative development where such development can be implemented by cooperatives

to improve local economic conditions.

"(3) Grants made under paragraph (1) shall be made on a competitive basis. In making grants under paragraph (1), the Secretary shall give preference to grant applications providing for the establishment of centers for rural technology or cooperative development that—

"(A) can demonstrate the capability to transfer for practical application in rural areas the technology generated at such centers and the ability to commercialize products, processes, services, and enterprises in such rural areas;

"(B) will effectively serve in rural areas that have—

"(i) few rural industries and agribusinesses;

"(ii) high levels of unemployment or underemployment;

"(iii) high rates of out migration of people, businesses, and industries; and

"(iv) low levels of per capita income; and

"(C) will contribute the most to the improvement of economic conditions of rural areas.

"(4) As used in this subsection—

"(A) The term 'nonprofit institution' means any organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

"(B) The term 'United States' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the other territories and possessions of the United States.

"(g) In carrying out subsection (f), the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment or underemployment of persons residing in economically distressed rural areas that the Secretary determines have a substantial need for such assistance. Such assistance shall include planning and feasibility studies, management and operational assistance, and studies evaluating the needs for development potential of projects that increase employment and improve economic growth in such areas.

"(h) The Secretary may make grants to defray not to exceed 75 percent of the administrative costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under subsection (f). For purposes of determining the non-Federal share of such costs, the Secretary shall consider contributions in cash and in kind, fairly evaluated, including but not limited to premises, equipment, and services.".

(b) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—To carry out section 310B (f) and (h) of the Consolidated Farm and Rural Development Act, there are authorized to be appropriated to the Secretary not to exceed $50,000,000 for each of the fiscal years 1991, 1992, and 1993.

TITLE V—RURAL BUSINESS AND LEADERSHIP TRAINING

SEC. 501. EXTENSION SERVICE RURAL BUSINESS AND LEADERSHIP TRAINING PROGRAM.

(a) ESTABLISHMENT OF PROGRAM.—Section 1 of chapter 79 of the Act of May 8, 1914 (7 U.S.C. 341) is amended by—

(1) inserting "(a) AGRICULTURE, ENERGY AND HOME ECONOMICS EXTENSION WORK.—" before "In order to aid"; and

(2) adding at the end the following:

"(b) RURAL DEVELOPMENT EXTENSION WORK.—(1) NATIONAL PROGRAM.—The Secretary of Agriculture shall establish a national program, to be administered by the

Extension Service, to provide rural citizens with training in, technical and management assistance regarding, and educational opportunities to enhance their knowledge of—

"(A) beginning new businesses through entrepreneurship;

"(B) the procedures necessary to establish new businesses in rural areas;

"(C) self-employment opportunities in rural areas;

"(D) the uses of modern telecommunications and computer technologies;

"(E) business and financial planning; and

"(F) such other training, assistance, and educational opportunities as the Secretary determines are necessary to carry out the program established under this subsection.

"(2) LEADERSHIP ABILITIES.—The program established pursuant to this subsection shall provide assistance designed to increase the leadership abilities of residents in rural areas. Such assistance shall include—

"(A) information relative to the development of community goals;

"(B) instruction regarding the methods by which State or Federal funding for rural development projects might be obtained;

"(C) instruction regarding the successful writing of applications for loan or grant funds from government and private sources;

"(D) an updated listing of State, Federal, and other economic development programs available to rural areas; and

"(E) such other training, information, and assistance as the Secretary determines necessary to increase the leadership abilities of residents in rural areas.

"(3) CATALOG OF PROGRAMS.—In order to facilitate the program established under this subsection, the extension service in each State should develop, maintain, and provide to each community, and make accessible to any other interested party, a catalog of available State, Federal, or private programs that provide leadership training or other information or services similar or complementary to the training or services required by this subsection. Such catalog should include, at a minimum, the following entities within the State that provide such training or services:

"(A) any rural electric cooperative;

"(B) any nonprofit community development corporation;

"(C) any economic development district that serves a rural community;

"(D) any nonprofit subsidiary of any private entity;

"(E) any nonprofit organization whose principal purpose is to promote economic development in rural areas;

"(F) any investor or publicly owned electric utility;

"(G) any small business development center or small business investment company;

"(H) any regional development organization;

"(I) any vocational or technical school;

"(J) any Federal, State or local government agency or department; and

"(K) any other entity that the Secretary deems appropriate.

The extension service in each State should include in the catalog information relative to the specific training or services provided by each entity in the catalog.

"(4) EMPLOYEE TRAINING.—The Secretary shall provide training for State extension service employees to ensure that such employees understand the availability of rural development programs in their respective States and the availability of Extension Service staff qualified to provide to rural citizens and to State extension staff training and materials for technical, management, and educational assistance required by this subsection.".

(b) COORDINATION OF ASSISTANCE.—The Secretary shall ensure, to the extent practicable, that assistance provided under subsection (a) is coordinated with and delivered in cooperation with similar services or assistance provided by other Federal agencies or programs for rural residents.

TITLE VI—RURAL ECONOMIC DEVELOPMENT RESEARCH

SEC. 601. RESEARCH ON NONTRADITIONAL USES OF AGRICULTURAL COMMODITIES.

The Secretary shall establish a program of competitive grants, to be administered in conjunction with the activities required under subtitle C of title XIV of the Food Security Act of 1985 (7 U.S.C. 4701 et seq.), for the purpose of conducting research on nonfood, nonfeed uses of agricultural commodities. The Secretary shall give priority in the awarding of grants under this section to research projects that the Secretary determines have the potential for developing new products from or processes for agricultural commodities that may be commercially implemented by small businesses.

SEC. 602. AUTHORIZATION OF RURAL DEVELOPMENT RESEARCH COMPETITIVE GRANTS.

The Secretary shall establish a program of competitive grants for the purpose of encouraging research and analysis of the social, economic, and other factors influencing the economic vitality of rural areas. Priority in the award of such grants shall be given to projects designed to research methods by which the social and economic vitality of rural areas can be enhanced.

SEC. 603. DEMONSTRATION PROJECTS.

The Secretary shall establish a program of competitive grants to rural areas to serve as demonstration areas for rural economic development and as models of such development for other areas. In awarding such grants the Secretary shall favorably consider a request for funds from a rural area that the Secretary determines—

(1) demonstrates the ability to supplement the grant funds provided under this section with other funds from State, local, or private sources;

(2) demonstrates the ability to use the grant funds to increase employment in the area; and

(3) can successfully serve as a demonstration area to share the results of the project to the benefit of other rural areas in the region.

TITLE VII—RURAL ELECTRIFICATION PROVISIONS

SEC. 701. SHORT TITLE; AMENDMENT OF RURAL ELECTRIFICATION ACT OF 1936.

(a) SHORT TITLE.—This title may be cited as the "Rural Telecommunications Improvements Act of 1990".

(b) AMENDMENT OF RURAL ELECTRIFICATION ACT OF 1936.—Except as otherwise expressly provided, whenever in this title an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to a section or other provision of the Rural Electrification Act of 1936.

SEC. 702. FINDINGS; STATEMENT OF POLICY.

(a) FINDINGS.—The Congress finds that—

(1) making modern telecommunications technology and services available in rural areas in the United States promotes economic development and improves the quality of life in rural areas; and

(2) the efficient operation of the Rural Telephone Bank and the Rural Electrification Administration telephone loan programs is essential to the continued development of the telecommunications infrastructure in rural areas in the United States.

(b) STATEMENT OF POLICY.—It is the policy of the Congress that the Rural Telephone Bank and the Rural Electrification Administration make loans that facilitate the development and enhancement of the rural telecommunications infrastructure in order to make modern telecommunications technology and services available at reasonable rates to the greatest practicable number of people in rural areas in the United States.

Subtitle A—Amendment to Title I of the Rural Electrification Act of 1936

SEC. 711. GENERAL PROHIBITIONS.

Title I (7 U.S.C. 901 et seq.) is amended by adding at the end the following:

"SEC. 18. GENERAL PROHIBITIONS.

"The Administrator and the Governor of the telephone bank shall not—

"(1) deny or reduce any loan or loan advance under this Act based on a borrower's level of general funds; or

"(2) make any loan or grant, or provide any guarantee, under this Act to any borrower of a telephone loan (or any subsidiary or affiliate of such a borrower) for electric service to others, or to any borrower of an electric loan (or any subsidiary or affiliate of such a borrower) for telephone service to others (except that this prohibition shall not apply to loans, grants, or guarantees for telephone service between the borrower and others) unless—

"(A) the borrower has obtained a certificate of convenience and necessity from, or otherwise obtained the consent of, the State regulatory authority with jurisdiction over the provision of such service; and

"(B) the Administrator or the Governor, as the case may be, has determined (and set forth the reasons therefor in writing) that such loan or grant will not be used to duplicate any lines, facilities, or systems.".

Subtitle B—Amendments Relating to Title II of the 1936 Act

SEC. 721. NONDUPLICATION OF TELEPHONE FACILITIES.

(a) In General.—Section 201 (7 U.S.C. 922) is amended by striking the last sentence and inserting "The Administrator and the Governor of the telephone bank shall not make or guarantee a loan, or make a grant, for telephone purposes under this Act if the loan, guarantee, or grant would result in the duplication of lines, facilities, or systems that provide reasonably adequate service. For purposes of this Act, the term 'duplication' does not include upgrading.".

(b) Conforming Amendment.—Section 408(b)(5) (7 U.S.C. 948(b)(5)) is amended by striking the 2nd sentence.

SEC. 722. UPDATED DEFINITION OF TELEPHONE SERVICE.

Section 203(a) (7 U.S.C. 924(a)) is amended—

(1) by inserting "or reception" after "transmission";

(2) by inserting "data," after "voice,"; and

(3) by striking "through the use of electricity between the transmitting and receiving apparatus" and inserting "by wire, fiber, radio, light, or other visual or electromagnetic means".

SEC. 723. LOAN FEASIBILITY.

Title II (7 U.S.C. 922 et seq.) is amended by adding at the end the following:

"SEC. 204. LOAN FEASIBILITY.

"The Administrator and the Governor of the telephone bank may not, as a condition of making a telephone loan to an applicant therefor, require the applicant to—

"(1) increase the rates charged to the applicant's customers or subscribers; or

"(2) increase the applicant's ratio of—

"(A) net income or margins before interest; to

"(B) the interest requirements on all of the applicant's outstanding and proposed loans.".

SEC. 724. ENCOURAGEMENT OF INVESTEMENT BY TELEPHONE BORROWERS IN RURAL DEVELOPMENT PROJECTS.

Title II (7 U.S.C. 922 et seq.) is amended by adding after the section added by section 723 of this title the following:

"SEC. 205. CERTAIN RURAL DEVELOPMENT INVESTMENTS BY QUALIFIED TELEPHONE BORROWERS NOT TREATED AS DIVIDENDS OR DISTRIBUTIONS.

"(a) In General.—The Administrator and the Governor of the telephone bank shall not—

"(1) treat any amount invested by any qualified telephone borrower for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in or extension of credit, guarantee, or advance made to, an affiliated company of the borrower, that is used by such company for such a purpose) as a dividend or distribution of capital to the extent that, immediately after such investment, the aggregate of such investments does not exceed ⅓ of the net worth of the borrower; or

"(2) require a qualified telephone borrower to obtain the approval of the Administrator or the Governor of the telephone bank in order to make an investment described in paragraph (1).

"(b) Qualified Telephone Borrower Defined.—As used in subsection (a), the term 'qualified telephone borrower' means a person—

"(1) to whom a telephone loan has been made or guaranteed under this Act; and

"(2) whose net worth is at least 20 percent of the total assets of such person.".

SEC. 725. IMPROVEMENTS IN TELEPHONE PROGRAM.

Title II (7 U.S.C. 922 et seq.) is amended by adding after the sections added by sections 723 and 724 of this title the following:

"SEC. 206. GENERAL DUTIES AND PROHIBITIONS.

"(a) Duties.—The Administrator and the Governor of the telephone bank shall—

"(1) notwithstanding section 553(a)(2) of title 5, United States Code, cause to be published in the Federal Register, in accordance with subsections (b) through (e) of section 553 of such title, all rules, regulations, bulletins, and other written policy standards governing the operations of the telephone loan and loan guarantee programs administered under this Act;

"(2) in evaluating the feasibility of a telephone loan to be made to a borrower for telephone services, use the depreciation rates used to compile the most recent report of the borrower's operations filed by the borrower with the Rural Electrification Administration, or, in the absence of such a report, the rates used by the borrower to calculate depreciation expenses in the most recent return to Federal income taxes (including information returns) filed by the borrower with the Internal Revenue Service; and

"(3) make loans for all purposes for which telephone loans are authorized under section 201 or 408, to the extent of qualifying applications therefor.

"(b) PROHIBITIONS.—The Administrator and the Governor of the telephone bank shall not—

"(1) rescind an insured telephone loan, or a Rural Telephone Bank loan, made under this Act without the consent of the borrower, unless all of the purposes for which telephone loans have been made to the borrower under this Act have been accomplished with funds provided under this Act;

"(2) regulate the order or sequence of advances of funds under telephone loans made under this Act to any borrower who has received any combination of telephone loans from the Rural Electrification Administration, the Rural Telephone Bank, or the Federal Financing Bank; or

"(3) deny a loan or advance to, or take any other adverse action against, an applicant for, or a borrower of, a telephone loan under this Act for any reason that is not based on a rule, regulation, bulletin, or other written policy standard that has not been published pursuant to section 553 of title 5, United States Code.".

SEC. 726. PROMPT PROCESSING OF TELEPHONE LOANS.

Title II (7 U.S.C. 922 et seq.) is amended by adding after the sections added by sections 723, 724, and 725 of this title the following:

"SEC. 207. PROMPT PROCESSING OF TELEPHONE LOANS.

"Within ten days after the end of the second and fourth calendar quarters of each year, the Administrator shall submit to the Committee on Agriculture and the Committee on Appropriations of the House of Representatives, and to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Appropriations of the Senate, a report—

"(1) identifying each completed application for a telephone loan under section 305, a guarantee of a telephone loan under section 306, or a loan under section 408, that has not been finally acted upon within 90 days after the date the completed application is submitted; and

"(2) stating the reasons for the failure to finally act upon the completed applications within such 90-day period.".

Subtitle C—Amendments Relating to Title III of the 1936 Act

SEC. 731. CREATION OF SEPARATE ELECTRIC AND TELEPHONE ACCOUNTS WITHIN RURAL ELECTRIC AND TELEPHONE REVOLVING FUND.

Section 302 (7 U.S.C. 932) is amended by adding at the end the following:

"(c)(1) The Administrator shall maintain 2 separate accounts within the fund, which shall be known as the electric account and the telephone account, respectively.

"(2)(A) The Administrator shall account for the assets, liabilities, income, expenses, and equity of the fund attributable to electrification loan operations in the electric account.

"(B) The Administrator shall account for the assets, liabilities, income, expenses, and equity of the fund attributable to telephone loan operations in the telephone account.

"(3)(A) The assets accounted for in the electric account shall be available solely for electrification loan operations under this Act.

"(B) The assets accounted for in the telephone account shall be available solely for telephone loan operations under this Act (other than under title IV).".

SEC. 732. BORROWERS TO DETERMINE AMORTIZATION PERIOD FOR INSURED TELEPHONE LOANS.

Section 309 (7 U.S.C. 940) is amended by—

(1) designating the current section as subsection (a); and

(2) adding at the end the following:

"(b) The term of any telephone loan made under this title shall be determined by the borrower at the time the loan is made.".

SEC. 733. TIER REQUIREMENT FOR INSURED TELEPHONE LOANS.

Section 305 (7 U.S.C. 935) is amended by adding at the end the following:

"(d) The Administrator shall make a telephone loan under this title to an applicant therefor who is otherwise qualified to receive such a loan at the highest interest rate (but not less than the lowest interest rate, nor higher than the highest interest rate, specified in subsection (b)) at which the borrower would be capable of producing net income or margins before interest payments of at least 100 percent (but not more than 150 percent) of the interest requirements on all of the applicant's outstanding and proposed loans.".

SEC. 734. CLARIFICATION OF TELEPHONE LOAN GUARANTEE AUTHORITY.

Section 306 (7 U.S.C. 936) is amended by inserting after the first sentence the following new sentence: "The Administrator shall not provide such assistance to any borrower of a telephone loan under this Act unless the borrower specifically applies for such assistance.".

Subtitle D—Amendments Relating to Title IV of the 1936 Act

SEC. 741. MODIFICATION OF RURAL TELEPHONE BANK BOARD.

(a) In General.—Section 405 (7 U.S.C. 945) is amended by striking all that precedes subsection (g) and inserting the following:

"SEC. 405. BOARD OF DIRECTORS.

"(a) In General.—The management of the telephone bank, within the limitations prescribed by law, shall be vested in a board of directors (in this title referred to as the Telephone Bank Board).

"(b) Membership.—The Telephone Bank Board shall consist of 13 individuals, as follows:

"(1) Presidential appointees.—The President shall appoint 7 individuals to serve on the Telephone Bank Board who shall serve at the pleasure of the President—

"(A) 5 of whom shall be officers or employees of the Department of Agriculture and not officers or employees of the Rural Electrification Administration; and

"(B) 2 of whom shall be from the general public and not officers or employees of the Federal Government.

"(2) Cooperative members.—The cooperative-type entities, and organizations controlled by such entities, that hold class B or class C stock shall elect 3 individuals to serve on the Telephone Bank Board for a term of 2 years, by a plurality vote of the stockholders voting in the election.

"(3) Commercial members.—The commercial-type entities, and the organizations controlled by such entities, that hold class B or class C stock shall elect 3 individuals to serve on the Telephone Bank Board for a term of 2 years, by a plurality vote of the stockholders voting in the election.

"(c) Elections.—(1) Validity.—An election under paragraph (2) or (3) of subsection (b) shall not be considered valid unless a majority of the stockholders eligible to vote in the election have voted in the election.

"(2) Balloting.—Balloting in an election under paragraph (2) or (3) of subsection (b) shall be conducted by mail pursuant to the procedures authorized in the bylaws of the telephone bank.

"(3) No Cumulative Voting.—Cumulative voting shall not be permitted in any election under paragraph (2) or (3) of subsection (b).

"(d) Compensation.—(1) In General.—Except as provided in paragraph (2), each member of the Telephone Bank Board shall receive $100 per day for each day or part thereof, not to exceed 50 days per year, spent in the performance of their official duties, and shall be reimbursed for travel and other expenses in such manner and subject to such limitations as the Telephone Bank Board may prescribe.

"(2) Exceptions.—The 5 members of the Telephone Bank Board appointed under subsection (b)(1)(A) shall not receive compensation by reason of their service on the Telephone Bank Board.

"(e) Succession.—A member of the Telephone Bank Board may serve after the expiration of the term of office of such member until the successor for such member has taken office.

"(f) Chairperson.—The members of the Telephone Bank Board shall elect 1 of such members to be the Chairperson of the Board, in accordance with the bylaws of the telephone bank. The Chairperson shall preside at all meetings of the Board and may vote on a matter before the Board unless the vote would result in a tie vote on the matter.".

(b) Conforming Amendments.—Section 405 (7 U.S.C. 945) is amended—

(1) in subsection (g) by striking "(g) The" and inserting "(g) Bylaws.—The";

(2) in subsection (h) by striking "(h) The" and inserting "(h) MEETINGS.—The"; and

(3) in subsection (i) by striking "(i) The" and inserting "(i) ANNUAL REPORT.—The".

(c) APPLICABILITY OF SUNSHINE ACT.—Section 405 (7 U.S.C. 945) is amended by adding at the end the following:

"(j) OPEN MEETINGS.—For purposes of section 552b of title 5, United States Code, the Telephone Bank Board shall be treated as an agency within the meaning of subsection (a)(1) of such section.".

SEC. 742. RURAL TELEPHONE BANK CAPITALIZATION.

Section 406(a) (7 U.S.C. 946(a)) is amended in the second sentence by striking "but not later than fiscal year 1991".

SEC. 743. PRO RATA PURCHASE OF RURAL TELEPHONE BANK STOCK BY RURAL TELEPHONE BANK BORROWERS.

The second sentence of section 406(d) (7 U.S.C. 946(d)) is amended by inserting ", by paying an amount equal to 5 percent of the amount of each loan advance, at the time of such advance" before the period.

SEC. 744. CLARIFICATION OF AUTHORITY TO SET RURAL TELEPHONE BANK LOAN LEVELS.

Section 408(a) (7 U.S.C. 948(a)) is amended by striking "is authorized on behalf of the telephone bank to make loans," and inserting "shall make loans on behalf of the telephone bank, to the extent that there are qualifying applications therefor, subject only to limitations as to amounts authorized for loans and advances as may be imposed by law enacted by the Congress of the United States for loans to be made in any one year, and".

SEC. 745. BORROWERS TO DETERMINE AMORTIZATION PERIOD FOR RURAL TELEPHONE BANK LOANS.

Section 408 (7 U.S.C. 948) is amended by adding at the end the following:

"(d)(1) Except as provided in paragraph (2), the term of any loan made under this title shall be determined by the borrower at the time the loan is made.

"(2) The term of any loan made under this title shall not exceed the maximum term for which a loan may be made under section 4.".

SEC. 746. FULL USE OF RURAL TELEPHONE BANK LOAN AUTHORITY.

Section 412 (7 U.S.C. 950b) is amended to read as follows:

"SEC. 412. FULL USE OF TELEPHONE BANK LOAN AUTHORITY.

"(a) FULL USE.—(1) IN GENERAL.—If an appropriations Act authorizes the telephone bank to make loans in a fiscal year and such Act requires that, within available resources and available authority, gross obligations for the principal amount of such loans be not less than a specified amount and not more than a different specified amount, the Governor of the telephone bank shall obligate for such loans for such fiscal year, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions that may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds available to the Governor to the extent such unobligated funds do not exceed the greater of such specified amounts.

"(2) SPECIAL RULE.—Notwithstanding paragraph (1), until all unobligated funds available to the Governor of the telephone bank for any fiscal year before fiscal year 1990 have been expended, the Governor shall obligate for loans under this title, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions that may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds available to the Governor.

"(b) RELATION TO OTHER LAW.—No subsequent statute may be held to supersede or modify this section, except to the extent that it does so expressly.".

SEC. 747. TECHNICAL AMENDMENTS RELATING TO THE RURAL TELEPHONE BANK PROVISIONS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1987.

(a) SECTION 406(h) AMENDMENTS.—Section 406(h) (7 U.S.C. 946(h)) is amended—

(1) by inserting after the second sentence "All amounts so transferred shall not be transferred, directly or indirectly, to the reserve for contingencies."; and

(2) by striking "Rural Telephone Bank Borrowers Fairness" and inserting "Omnibus Budget Reconciliation".

(b) SECTION 408(b)(3) AMENDMENTS.—Section 408(b)(3) (7 U.S.C. 948(b)(3)) is amended—

(1) in subparagraph (B), by striking "paragraph" and inserting "subparagraph";

(2) in subparagraph (D)(ii), by adding at the end the following: "For purposes of the calculation under this subparagraph, such rate shall be zero."; and

(3) in subparagraph (E), by striking "subparagraph" the second place such term appears and inserting "paragraph".

Subtitle E—Effective Date

SEC. 751. EFFECTIVE DATE.

(a) **In General.**—Except as provided in subsection (b), this title and the amendments made by this title shall take effect on the date of the enactment of this title.

(b) **Technical Amendments.**—The amendments made by section 747 of this title shall take effect as if such amendments had been included in chapter 2 of subtitle D of title I of the Omnibus Budget Reconciliation Act of 1987 on the date of the enactment of such chapter.

TITLE VIII—MISCELLANEOUS

SEC. 801. REGULATIONS.

Except as otherwise provided in this Act, no later than 180 days after the date of the enactment of this Act, the Secretary shall promulgate such regulations as may be necessary to carry out this Act and the amendments made by this Act.

SEC. 802. LOAN RATES APPLICABLE TO CERTAIN LOANS UNDER THE CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT.

Section 307(a)(3) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1927(a)(3)) is amended by—

(1) in subparagraph (A) striking "guranteed" and inserting "guaranteed"; and

(2) adding at the end thereof the following new subparagraph:

"(C) Notwithstanding the provisions of subparagraph (A), the Secretary shall establish loan rates for health care and related facilities that shall be based solely on the income of the area to be served, and such rates shall be otherwise consistent with the provisions of such subparagraph.".

SEC. 803. ASSISTANCE FOR CERTAIN DISTRESSED COMMUNITY FACILITY PROGRAM BORROWERS.

(a) **Amendment.**—The Consolidated Farm and Rural Development Act is amended by inserting after section 353 (7 U.S.C. 2001) the following new section:

"SEC. 353A. DEBT RESTRUCTURING AND LOAN SERVICING FOR COMMUNITY FACILITY LOANS.

"The Secretary shall establish and implement a program that is similar to the program established under section 353, except that the debt restructuring and loan servicing procedures shall apply to delinquent community facility program loans (rather than delinquent farmer program loans) made by the Farmers Home Administration to a hospital or health care facility under section 306(a).".

(b) **Regulations.**—Not later than 120 days after the date of enactment of this Act, the Secretary shall promulgate regulations, as modeled after those promulgated under such section 353, that implement the program established under this section.

SEC. 804. WATER AND WASTE FACILITY LOANS AND GRANTS TO ALLEVIATE HEALTH RISKS.

Subtitle A of the Consolidated Farm and Rural Development Act is amended by adding after section 306A (7 U.S.C. 1926a) the following new section:

"SEC. 306B. WATER AND WASTE FACILITY LOANS AND GRANTS TO ALLEVIATE HEALTH RISKS.

"(a) **Water and Waste Facility Loans and Grants To Alleviate Health Risks.**—(1) The Secretary shall make or insure loans and make grants to rural water supply corporations, cooperatives, or similar entities, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public agencies, to provide for the conservation, development, use, and control of water (including the extension or improvement of existing water supply systems), and the installation or improvement of drainage or waste disposal facilities and essential community facilities including necessary related equipment. Such loans and grants shall be available only to provide such water and waste facilities and services to communities whose residents face significant health risks, as determined by the Secretary, due to the fact that a significant proportion of the community's residents do not have access to, or are not served by, adequate affordable—

"(A) water supply systems; or

"(B) waste disposal facilities.

"(2) Loans made or insured or grants made under this section to rural water supply corporations, cooperatives, or similar entities, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, or public agencies shall be made only if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a county in which—

"(A) the per capita income of the residents of such county is less than or equal to 70 percent of the national average per capita income, as determined by the Department of Commerce; and

"(B) the unemployment rate of the residents of such county is greater than or equal to 125 percent of the national average unemployment rate, as determined by the Bureau of Labor Statistics.

"(b) LOANS TO INDIVIDUALS.—(1) The Secretary shall make or insure loans and make grants to individuals who reside in a community described in subsection (a)(1) for the purpose of extending water supply and waste disposal systems or connecting such systems to the residences of such individuals. Such loans shall be at a rate of interest no greater than the Federal Financing Bank rate on loans of a similar term at the time such loans are made. The repayment of such loans shall be amortized over the expected life of the water supply or waste disposal system to which the residence of the borrower will be connected.

"(2) The loans and grants to individuals authorized under paragraph (1) shall be made—

"(A) directly to such individuals by the Secretary; or

"(B) to such individuals through the rural water supply corporation, cooperative, or similar entity, or public agency, providing such water supply or waste disposal services, pursuant to regulations issued by the Secretary.

"(c) PREFERENCE.—The Secretary shall give preference in the awarding of loans and grants to—

"(1) rural water supply corporations, cooperatives, or similar entities, or public agencies, as provided under subsection (a), proposing to provide water supply or waste disposal services to the residents of those rural subdivisions commonly referred to as colonias, that are characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities; and

"(2) individuals, as provided under subsection (b), who reside in a rural subdivision commonly referred to as a colonia, that is characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities.

"(d) DEFINITION.—For the purposes of this section the term 'cooperative' means a cooperative formed specifically for the purpose of the installation, expansion, improvement or operation of water supply or waste disposal facilities or systems.

"(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated funds to carry out the purposes of this section as follows:

"(1) for grants as provided by this section, $30,000,000 per fiscal year; and

"(2) for loans as provided by this section, $30,000,000 per fiscal year.".

SEC. 805. PRESERVATION OF ELIGIBILITY.

Notwithstanding any other provision of law, nothing in this Act shall be construed to adversely affect the eligibility, as it existed on the date of enactment of this Act, of cooperatives and other entities for any other credit assistance under Federal law.

SEC. 806. STATE PROGRAMS NOT AFFECTED.

Nothing in this Act shall be interpreted to preclude States from creating and maintaining other rural development programs.

SEC. 807. TECHNICAL CORRECTIONS.

(a) SECTION 308 AMENDMENTS.—Section 308 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1928) is amended—

(1) in paragraph (a), by striking "prescribe,;" and inserting "prescribe;"; and

(2) by redesignating paragraphs (a) and (b), as paragraphs (1) and (2), respectively.

(b) SECTION 310B(d) AMENDMENTS.—Section 310B(d) of such Act (7 U.S.C. 1932(d)) is amended—

(1) by moving paragraphs (4), (5), and (6) 2 ems to the left so that the left margin of such paragraphs is aligned with the left margin of paragraph (3);

(2) by redesignating paragraphs (1) through (6) as paragraphs (2) through (7), respectively; and

(3) by inserting "(1)" after "(d)".

(c) Amendments Relating to Section 331.—

(1) Section 331 amendments.—Section 331 of such Act (7 U.S.C. 1981) is amended—

(A) in the second undesignated subsection—

(i) by moving paragraphs (f), (g), (h), and (i) two ems to the right so that the left margin of each of such paragraphs is aligned with the left margin of paragraph (e);

(ii) in paragraph (f), by striking "Release" and inserting "release";

(iii) in paragraph (g), by striking "Obtain" and inserting "obtain";

(iv) in paragraph (h), by striking "Not" and inserting "not";

(v) in paragraph (i)—

(I) by striking "Consent" and inserting "consent"; and

(II) by redesignating subparagraphs (1) and (2) as subparagraphs (A) and (B), respectively; and

(vi) by redesignating paragraphs (a) through (j) as paragraphs (1) through (10), respectively; and

(B) by redesignating the 1st and 2nd undesignated subsections as subsection (a) and (b), respectively.

(2) Conforming amendments.—Section 357(b) of such Act (7 U.S.C. 2005(b)) is amended by striking "331(d)" each place such term appears and inserting "331(b)(4)".

(d) Section 333A(c) Amendment.—Section 333A(c) of such Act (7 U.S.C. 1983a(c)) is amended by striking "In" and inserting "If".

(e) Section 335(c)(2)(D) Amendment.—Section 335(c)(2)(D) of such Act (7 U.S.C. 1985(c)(2)(D)) is amended by striking "caused" and inserting "cause".

(f) Section 338(d) Amendment.—Section 338(d) of such Act (7 U.S.C. 1988(d)) is amended by striking "detemine" and inserting "determine".

(g) Section 343(a) Amendments.—Section 343(a) of such Act (7 U.S.C. 1991(a)) is amended—

(1) in paragraph (1), by striking "and";

(2) in paragraph (3), by striking "and" the third place such term appears; and

(3) in paragraph (5), by striking "contract of insurance" and inserting " 'contract of insurance' ".

(h) Section 346(b) Amendments.—Section 346(b) of such Act (7 U.S.C. 1994(b)) is amended—

(1) in paragraph (1)(B), by striking "subparagraph (c)" and inserting "paragraph (3)";

(2) in paragraph (1)(C), by striking "subparagraph (A)" and inserting "paragraph (1)";

(3) by redesignating paragraphs (1) (A), (B), (C), (D)(i), and (E) as paragraphs (1), (2), (3), (4), and (5), respectively;

(4) in paragraph (2) (as so redesignated by paragraph (3) of this subsection), by redesignating clauses (i), (ii), and (iii) as subparagraphs (A), (B), and (C), respectively;

(5) in each of the subparagraphs redesignated as such by paragraph (4) of this subsection, by redesignating subclauses (I) and (II) as clauses (i) and (ii), respectively; and

(6) in paragraph (5) (as so redesignated by paragraph (3) of this subsection), by redesignating clauses (i), (ii), and (iii) as subparagraphs (A), (B), and (C), respectively.

(i) Section 349(a) Amendment.—Section 349(a) of such Act (7 U.S.C. 1997(a)) is amended by redesignating paragraph (5) as paragraph (4).

TITLE IX—NATIONAL FOREST-DEPENDENT RURAL COMMUNITIES

SEC. 901. SHORT TITLE.

This title may be cited as the "National Forest-Dependent Rural Communities Economic Diversification Act of 1990".

SEC. 902. FINDINGS AND PURPOSE.

(a) Findings.—Congress finds that—

(1) the economic well-being of rural America is vital to our national growth and prosperity;

(2) the economic well-being of many rural communities depends upon the goods and services that are derived from national forests;

(3) the economies of many of these communities suffer from a lack of industrial and business diversity;

(4) this lack of diversity is particularly serious in communities whose economies are predominantly dependent on timber and recreation resources and where management decisions made on the national forests may disrupt the supply of those resources;

(5) the Forest Service has expertise and resources that could be directed to promote modernization and economic diversification of existing industries and services based on forest resources;

(6) the Forest Service has the technical expertise to provide leadership, in cooperation with other governmental agencies and the private sector, to assist rural communities dependent upon national forest resources to upgrade existing industries and diversify by developing new economic activity in non-forest-related industries; and

(7) technical assistance, training, education, and other assistance provided by the Department of Agriculture can be targeted to provide immediate help to those rural communities in greatest need.

(b) PURPOSES.—The purposes of this title are—

(1) to provide assistance to rural communities that are located in or near national forests and that are economically dependent upon forest resources or are likely to be economically disadvantaged by Federal land management practices;

(2) to aid in diversifying such communities' economic bases and;

(3) to improve the economic, social, and environmental well-being of rural America.

SEC. 903. DEFINITIONS.

As used in this title—

(1) the term "action team" means a rural forestry and economic diversification action team established by the Secretary pursuant to section 904(b);

(2) the term "economically disadvantaged" means economic hardship due to the loss of jobs or income (labor or proprietor) derived from forestry, the wood products industry, or related commercial enterprises such as recreation and tourism in the national forest;

(3) the term "rural community" means—

(A) any town, township, municipality, or other similar unit of general purpose local government having a population of not more than 10,000 (according to the latest decennial census) that is located in a county where at least 15 percent of the total labor and proprietor income is derived from forestry, wood products, and forest-related industries such as recreation and tourism; or

(B) any county or similar unit of general purpose local government having a population of not more than 22,500 (according to the latest decennial census) in which at least 15 percent of the total labor and proprietor income is derived from forestry, wood products, and forest-related industries such as recreation and tourism

that is located within the boundary, or within one hundred miles of the boundary, of a national forest; and

(4) the term "Secretary" means the Secretary of Agriculture.

SEC. 904. RURAL FORESTRY AND ECONOMIC DIVERSIFICATION ACTION TEAMS.

(a) REQUESTS FOR ASSISTANCE.—Economically disadvantaged rural communities may request assistance from the Secretary in identifying opportunities that will promote economic improvement and diversification.

(b) ESTABLISHMENT.—Upon request, the Secretary is authorized to establish rural forestry and economic diversification action teams to prepare an action plan to provide technical assistance to economically disadvantaged communities. The action plan shall identify opportunities to promote economic diversification and enhance local economies now dependent upon national forest resources. The action team may also identify opportunities to utilize value-added products and services derived from national forest resources.

(c) ORGANIZATION.—The Secretary shall design and organize any action team established pursuant to subsection (b) to meet the unique needs of the requesting rural community. Each action team shall be directed by an employee of the Forest Service and may include personnel from other agencies within the Department of Agriculture, from other Federal and State departments and agencies, and from the private sector.

(d) COOPERATION.—In preparing action plans, the Secretary is authorized to cooperate with State and local governments, universities, private companies, individuals, and non-profit organizations for procurement of services determined necessary or desirable.

(e) Eligibility.—The Secretary shall ensure that no substantially similar geographical or defined local area in a State receives both a grant for technical assistance to an economically disadvantaged community under this title and a grant for assistance under a designated rural development program, as defined in section 360(b)(2) of the Consolidated Farm and Rural Development Act, during any continuous five-year period.

(f) Approval.—After reviewing requests under this section for financial and economic feasibility and viability, the Secretary shall approve and implement in accordance with section 905 those action plans that will achieve the purposes of this title.

SEC. 905. ACTION PLAN IMPLEMENTATION.

(a) In General.—Action plans shall be implemented, insofar as practicable, to upgrade existing industries to use forest resources more efficiently and to expand the economic base of rural communities so as to alleviate or reduce their dependence on national forest resources.

(b) Assistance.—To implement action plans, the Secretary is authorized to make grants and enter into cooperative agreements and contracts to provide necessary technical and related assistance. Such grants, cooperative agreements and contracts may be with the affected rural community, State and local governments, universities, corporations and other persons.

(c) Limitation.—The Federal contribution to the overall implementation of an action plan shall not exceed 80 percent of the total cost, including administrative and other costs. The Secretary shall attribute the fair market value of equipment, personnel, and services provided in calculating the Federal contribution.

(d) Available Authority.—The Secretary may utilize the Secretary's existing authorities under the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101 et seq.) and other authorities in implementing action plans.

SEC. 906. TRAINING AND EDUCATION.

(a) Programs.—In furtherance of an action plan, the Secretary is authorized to utilize the Extension Service of the Department of Agriculture to develop and conduct education programs that assist businesses, elected or appointed officials, and individuals in rural communities to deal with the effects of a transition from being economically disadvantaged to economic diversification. These programs may include—

(1) community economic analysis and strategic planning;

(2) methods for improving and retooling existing enterprises now dependent on national forest resources;

(3) methods for expanding existing enterprises and creating new economic opportunities by emphasizing economic opportunities in other industries or services not dependent on national forest resources; and

(4) assistance in the evaluation, counseling, and enhancement of vocational skills, training in basic and remedial literacy skills, assistance in job seeking skills, and training in starting or operating a business enterprise.

(b) Existing Educational and Training Programs.—Insofar as practicable, the Secretary shall utilize existing Federal, State, and private education resources in carrying out these programs.

SEC. 907. LOANS TO ECONOMICALLY DISADVANTAGED RURAL COMMUNITIES.

(a) In General.—The Secretary, under such terms and conditions as the Secretary shall establish, may make loans to economically disadvantaged rural communities for the purposes of securing technical assistance and services to aid in the development and implementation of action plans, including planning for—

(1) improving existing facilities in the community that may generate employment or revenue;

(2) expanding existing infrastructure, facilities, and services to capitalize on opportunities to diversify economies now dependent on national forest resources; and

(3) supporting the development of new industries or commercial ventures unrelated to national forest resources.

(b) Interest and Other Charges.—The interest rates on a loan made pursuant to this section shall be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the maturity of such loan, plus not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

SEC. 908. AUTHORIZATION OF APPROPRIATIONS AND SPENDING AUTHORITY.

(a) AUTHORIZATION OF APPROPRIATIONS.—Except as provided in subsection (b), there is authorized to be appropriated—

(1) an amount not to exceed an amount that is equal to 5 per centum of the sums received by the Secretary from sales of timber and other products of the forests, and of user fees paid in connection with the use of forest lands; and

(2) such additional sums as may be necessary to carry out the purposes of this title.

(b) LIMITATION ON AUTHORIZATION.—Subsection (a) shall not in any way affect payments to the States pursuant to chapter 192 of the Act of May 23, 1908 (16 U.S.C. 500).

(c) SPENDING AUTHORITY.—Any spending authority (as defined in section 401 of the Congressional Budget Act of 1974) provided in this title shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

Amend the title so as to read:

The Rural Economic Development Act of 1990.

BRIEF EXPLANATION

H.R. 3581 is designed to focus and strengthen federal rural development activities and allow local areas greater input into the allocation of Federal funds for rural development.

Title I of the bill will reorganize the Department of Agriculture's rural development activities and establish a new Rural Development Administration (RDA) within the Department to carry out functions designed to foster rural and small community development; farm credit functions would remain in Farmers Home Administration (FmHA).

Title II of the bill will provide for the local prioritization of Federal rural development project funding by creating a new delivery system for rural development programs. The bill will authorize the creation of a 16-voting-member advisory rural economic development review panel in each State and charges the panels with the responsibility to review rural economic development plans for areas within the State and to recommend to the Secretary a rank-ordering for funding individual applications for assistance from Federal rural development programs designated in the bill. The bill establishes a number of criteria to be applied by the State review panels in ranking applications for assistance. For instance, the bill specifically creates a priority for funding of infrastructure projects, such as water and sewer systems, which are required to meet declared health emergencies. The bill also requires that the need of the applicant be considered in ranking applications for assistance in the event that two or more applications are determined to have comparable merits.

The Secretary will make the final determination as to which applications to fund, taking into consideration the panel's recommendations. The Secretary will also be granted a limited authority to transfer funds from one designated rural development program to another in order to best serve each State's rural development needs, as determined by the panels in the respective States.

Title II will also provide for the establishment and one-time Federal capitalization, from otherwise available rural development grant funds, of revolving funds at the State level to provide loans to very small business ventures (those with fewer than 30 employees).

Title III of the bill will establish a technical assistance unit to assist Rural Electrification Administration borrowers in rural development activities. Title III will also establish a program to allow such borrowers to defer payment on certain Rural Electrification Administration loans if the proceeds from such loans are invested in rural development projects. Title III will also amend a number of existing rural development programs to increase the availability of water and wastewater loans, grants, and other assistance. These amendments include authority for the banks for cooperatives to make water and wastewater loans for health and development purposes to cooperatives and in rural towns with populations under 20,000 inhabitants; authority for water and wastewater loans to be made to benefit rural business development; an increase in the authorization for water and wastewater grant funds from $155 million to $500 million annually; and the requirement that the Secretary establish a rural wastewater treatment circuit rider program. Title III will also reduce the maximum amount of any single loan under the current Business and Industry program from $25 million to $5 million, but does not reduce total funding for the program.

Title IV of the bill will require the Secretary to center rural development information gathering and dissemination services in the National Agricultural Library. Title IV will also authorize the Secretary to make competitive grants to nonprofit institutions to establish and operate centers for rural technology or cooperative development.

Title V of the bill will require the Extension Service to establish a national program to provide rural citizens with technical and management assistance for business development and planning, and mandate the Extension Service to develop, publish, and distribute a listing of available State, Federal, and private business and leadership programs.

Title VI of the bill will require the Secretary to establish competitive grant programs to conduct research on non-food, non-feed uses of agricultural commodities, to encourage research of the social and economic factors influencing the economic vitality of rural areas, and to encourage the establishment of rural development demonstration areas.

Title VII of the bill will amend the Rural Electrification Act of 1936 to change telephone program loan eligibility requirements, to make a number of improvements in the administration of the telephone loan program, to increase the ability of telephone program participants to more fully utilize the program, and to accelerate the extension of modern telecommunications technology to rural areas.

Title VIII of the bill will require the Secretary to establish loan rates for health care and related facilities based solely on the income of the area to be served, to establish a program of debt restructuring and loan servicing to assist delinquent community facility program borrowers, and to provide water and wastewater grants and loans to qualified borrowers to assist communities whose residents face significant health risks due to the lack of water supply or wastewater disposal systems.

Title IX of the bill will encourage economic diversification in communities that are economically dependent on forest areas and will allow economically-depressed rural towns that are dependent on the forestry industry to request assistance from the Department of Agriculture in identifying methods to promote greater economic activity and diversification. Federal funding to implement plans for assistance under title IX cannot exceed 80 percent of the total cost of the plan.

PURPOSE AND NEED

Throughout its history, America's farms, small towns, and rural areas have been a repository of the Nation's traditions, its values, and a large number of its citizens. However, the current economic condition of rural America threatens to relegate rural America's citizens to second class status.

The list of problems facing rural America is a lengthy one. Rural unemployment rates are a full 31 percent higher than those in the rest of the Nation. To make matters worse, rural job growth continues to lag well behind job growth in urban centers. Per capita income for rural residents in the United States averages 25 percent below incomes for residents of the Nation's urban areas.

Many of the advantages brought on by the advancement of computer technologies over recent years have proven to be out of reach of many rural citizens due to the lack of high quality telecommunications transmission facilities. Similarly, major advances in health care technologies are more often than not out of reach of rural residents due to the high cost of these new technologies. It is sad but true that, for rural citizens, the high quality health care enjoyed by the Nation's urban residents is often a drive of hundreds of miles from their home. Distances that can at times prove life-threatening, especially in light of the eroding roads and bridges and the sparse and sometimes non-existent public transportation systems in many areas of the United States.

In the late 1980's, to travel from a major metropolitan area to a small rural region was to take a leap through time. The towns that dot huge stretches of America often suffer from a sort of benign neglect through which their foundations are being eroded. The basic elements of life in many communities—capital investment, health care, transportation, education, and water and wastewater facilities—have for many residents of rural America become luxuries that they cannot afford.

As a result of these hardships, approximately 5,000,000 people have left the rural areas of the Nation over the past ten years in the hope of finding a better life in the Nation's urban areas. This out-migration of many of the best and the brightest of rural America's youth threatens to exacerbate the downward economic spiral in many of the Nation's small towns and rural areas. If they are unable to attain the benefits of the lifestyle enjoyed by the majority of the Nation's citizens, rural residents will continue to flock to our cities, placing greater demands on already limited resources and over-extended infrastructures.

It is therefore sound national policy to undertake efforts to breathe new life into our rural communities. The provisions of H.R. 3581 are designed to afford the Nation's rural residents a helping hand to assist them to meet this goal.

The challenges facing rural America and the residents of rural America are immense, especially during the current climate of governmental fiscal restraint at the Federal, State, and local levels. During hearings on the subject of rural development held by the Committee in Washington, D.C. and throughout the Nation, a number of recurring themes were sounded as to how the Federal Government could best assist rural Americans to meet the many challenges they face.

RURAL DEVELOPMENT ADMINISTRATION

Many of the witnesses appearing before the Committee expressed their belief that the current Federal structure for delivering assistance to rural America was fragmented or haphazard at best. A number of witnesses expressed their belief that a separate agency needed to be established within the Department of Agriculture specifically to address rural development needs. To address this concern and to provide for better coordination of the Department of Agriculture's rural development programs, title I of H.R. 3581 will establish a Rural Development Administration within the Department of Agriculture, under the jurisdiction of which will be transferred the appropriate rural development programs administered by the Department.

LOCAL PRIORITIZATION OF RURAL DEVELOPMENT FUNDING

Another concern repeated by many witnesses before the Committee was the need for more flexibility at the State and local level to determine priorities for Federal rural development assistance. Many witnesses lamented that some Federal programs were well conceived and designed and successful in addressing problems in their areas, while the funding for other Federal programs not as well suited to the area's needs were not fully utilized.

The Committee heard concerns that in those areas where population is declining, business development funding to assist businesses in job creation may be much more important than funds to develop rural infrastructure. Conversely, in regions where population continues to increase, programs to develop and improve the area's water, wastewater treatment, and other infrastructure may be a more immediate concern.

Section 201 of the bill addresses this concern by establishing advisory panels at the State level, to be comprised of representatives of rural areas of the State, to prioritize applications for assistance from the Department of Agriculture's rural development programs, and to recommend to the Secretary which of the applications received should be funded.

Section 202 of the bill will authorize the establishment of State revolving loan funds to provide sorely needed loan financing for business enterprises in rural areas.

IMPROVEMENTS IN EXISTING RURAL DEVELOPMENT PROGRAMS

The Committee heard concern from many quarters that the current array of Federal rural development programs could be improved in an effort to enhance the Federal role in rural development. In light of the budgetary restraints facing the Federal Government, the Committee sought to include in the bill programmatic improvements that had little or no adverse impact on the Federal budget.

It came to the attention of the Committee that many rural electric cooperatives could increase their role in rural development if current rural electrification programs are enhanced and if technical assistance is provided to rural electric utility managers on how best to assist in the Nation's rural development efforts. Section 301 of the bill will establish a technical assistance unit within the Rural Electrification Administration to provide such assistance to personnel at rural electric cooperatives. Similarly, section 302 of the bill is designed to encourage investment in rural development projects by rural electric cooperatives.

The Committee has also become aware of strong support for broadening the availability of Federal assistance or other sources of funding for the development of rural water and wastewater facilities. Sections 303, 306, and 307 of the bill are intended to broaden the availability of water and wastewater funding and to enhance the ability of rural communities to construct and manage such facilities.

The Committee was also made aware of a number of improvements that could be made in existing programs to enhance rural economic development through targeting assistance to small rural business enterprises. Sections 304 and 305 of the bill are intended to achieve this goal.

RURAL INFORMATION AVAILABILITY

The Committee heard concern from many witnesses regarding the difficulty of obtaining comprehensive information about rural development and rural business training and opportunities that may be available from the Federal Government or other sources. The Committee believes that a centralized repository for such rural development and rural business enhancement program information to make such information readily available to local governments, universities, businesses, cooperatives, and other persons would greatly enhance the Nation's rural development efforts. Sections 401 and 501 of the bill seek to address this concern.

RURAL TECHNOLOGY DEVELOPMENT

It has come to the attention of the Committee that while the Nation's informational, manufacturing, processing and marketing technologies are evolving rapidly, the implementation of these technologies by the private sector, especially large corporations, may once again bypass rural America. Small businesses in rural areas must be prepared to offer equal service that may not need the capital support of a national firm. Section 402 of the bill is designed to meet this need.

RURAL ECONOMIC DEVELOPMENT RESEARCH

The Committee heard testimony that basic research was necessary to determine whether economic opportunities for rural businesses and residents can be enhanced. Sections 601, 602, and 603 authorize the conduct of such research.

ENHANCEMENT OF FEDERAL RURAL TELEPHONE PROGRAMS

A long list of programmatic improvements that may be made in the rural telephone programs of the Rural Electrification Administration was presented to the Committee during hearings on the issue of rural development. Among other issues, the Committee is aware that the Rural Telephone Bank has failed in recent years to meet statutorily authorized minimum lending requirements under law. The Rural Telephone Bank has also instituted other policies and practices that rural telephone borrowers believe diminish the effectiveness of the program in providing affordable modern telecommunications systems to rural residents. Many of the concerns expressed by parties interested in the telephone loan program are addressed in title VII of the bill.

WATER AND WASTEWATER ASSISTANCE TO ALLEVIATE HEALTH RISKS

It has come to the attention of the Committee that infrastructure problems exist in economically-distressed areas throughout the Nation, including in the so-called colonias of the southwestern United States.

Colonias are impoverished, unincorporated rural subdivisions, often characterized by substandard housing and the lack of basic human services such as potable water, wastewater treatment and drainage facilities, electricity and gas utility services, and paved roads. It is estimated there are more than 200,000 people living in colonias located along the 2,000-mile U.S.-Mexico border in the States of Arizona, California, New Mexico and Texas.

It is not uncommon for colonia residents to rely on water from irrigation ditches or from shallow wells drilled on the lot where their home is located, in some cases dangerously close to outhouses or pit latrines. In other areas, colonia residents are forced to transport and store water from many miles away, often in used, 55-gallon chemical drums. The water from such sources is often dangerously contaminated.

In colonias without adequate wastewater systems, heavy rains can cause raw sewage overflows or seepage to the soil's surface. Residents are sometimes forced to wade through the overflow to get to school or work. This is a primary reason why disease rates in colonias exceed those in other areas of the United States. The improper disposal of raw sewage in these communities has led to a high incidence of gastrointestinal diseases, especially among children. Schools on a yearly basis report a high incidence of skin rashes and diarrhea among children living in colonias.

The lack of proper water and waste systems in these communities constitutes a significant human health risk and an environmental hazard not only for residents, but also for the population and resources of the surrounding areas. Section 804 of H.R. 3581 will provide a firm foundation by which the Federal government can help improve the quality of life and eliminate the threat of disease and environmental hazards in these communities.

Similarly, the Committee is aware that an immediate need exists on many Indian reservations for clean drinking water supplies and the proper disposal of sewage and other wastewater. The high incidence of diabetes and kidney disease, shortened life expectancies, and high infant mortality rates on Indian reservations have all been linked, at least in part, to the lack of safe drinking water on many reservations.

In light of this situation the full Committee amended the bill to make clear that Indian tribes are eligible for assistance from the program established under section 804.

ENHANCEMENTS IN OTHER CREDIT ASSISTANCE PROGRAMS

The Committee heard widespread concern that rural health care facilities lacked access to credit at affordable rates. This problem is exacerbated by the current poor financial health of many rural hospitals and health facilities, as evidenced by the increasing closures of such rural health facilities. Sections 802 and 803 of the bill are intended to address this problem.

FOREST-DEPENDENT RURAL COMMUNITIES

It has come to the attention of the Committee that some regions of the Nation are confronted with timber supply shortages which could significantly affect the economies of small communities that are reliant on national forest resources.

The forest planning process, maps out the uses of each individual forest for a ten-year period. Industries and individuals residing in communities which are dependent upon National forest resources could be economically devastated if long-term investment in businesses are disrupted by shortages in timber supplies. Many communities in the Pacific Northwest are confronted with this kind of scenario.

The Committee believes that a program to assist businesses, elected or appointed officials, and individuals in rural, economically disadvantaged communities would help to alleviate the economic dislocation that might otherwise occur. Such programs might include community economic analysis and strategic planning, methods for retooling existing industries, methods for expanding existing industries and creating new industries to identify economic opportunities not related to the national forest, and assistance for the evaluation, counseling and enhancement of vocational skills, remedial literacy skills, job seeking skills and training in starting or operating a business enterprise.

Title IX of the bill is designed to establish such a program, to aid forest dependent communities in diversifying their economies and respond to changes in the supplies of goods and services provided by the National forests.

SECTION-BY-SECTION ANALYSIS

Section 1—Short title; table of contents

Section 1 provides that the bill may be cited as the "Rural Economic Development Act of 1990" and sets forth the table of contents for the bill.

TITLE I—REORGANIZATION OF THE DEPARTMENT OF AGRICULTURE

Title I of the bill will vest responsibility for the delivery of Department of Agriculture rural development programs in one agency, a new "Rural Development Administration".

Section 101—Rural Development Administration

Section 101(a)(1) will amend the Consolidated Farm and Rural Development Act by adding a new section 359, which will establish and provide administrative provisions for a Rural Development Administration within the Department of Agriculture.

Subsection (a) of the new section 359 will establish in the Department of Agriculture the Rural Development Administration (RDA), and provide that the Administration will be headed by an Administrator appointed by the Secretary. It is anticipated that the RDA will be under the authority of, and the Administrator will report to, the Under Secretary for Small Community and Rural Development and that the Rural Electrification Administration will continue to be under the authority of this Under Secretary.

Subsection (b) of the new section 359 will provide that, except as provided in the new subsection (c), or as otherwise provided in the new section 359, the Secretary must carry out the provisions of the Consolidated Farm and Rural Development Act through the Farmers Home Administration. In effect, subsection (c) requires that those programs currently administered by the Farmers Home Administration (FmHA) that are designed to foster rural and small community development be transferred to the RDA. The Farmers Home Administration would retain authority for the administration of programs designed to provide credit to farms and farmers.

Subsection (c) of the new section 359 will provide that the Secretary must carry out through the Rural Development Administration the following provisions of law—

(1) sections 303 (in the case of loans made for purposes specified in paragraphs (2) and (3) of section 303(a)), 304(b), 306(a), 306B, 310A, 310B, and 312(a) (in the case of loans made for the purposes specified in paragraphs (5) and (6)) of the Consolidated Farm and Rural Development Act;

(2) section 1323 of the Food Security Act of 1985 (7 U.S.C. 1932 note);

(3) title VI of the Rural Development Act of 1972; and

(4) such other rural development programs as the Secretary determines appropriate.

Subsection (d) of the new section 359 will provide that any reference in any law, regulation, or order in effect immediately before the date of the enactment of the Rural Economic Development Act of 1990 to the Farmers Home Administration or to the Administrator of the Farmers Home Administration relating to any function, power, or duty which is, on or after such date, a function, power, or duty of the Rural Development Administration or the Administrator of the Rural Development Administration, will be deemed to be a reference to the Rural Development Administration or to the Administrator of the Rural Development Administration, as the case may be.

Subsection (e)(1) of the new section 359 will provide that this Act does not abate any proceeding commenced—

(A) by or against any entity any function of which is transferred by this Act; or

(B) by or against any officer thereof in the official capacity of such individual as such an officer.

Subsection (e)(2) of the new section 359 will provide that if an officer of the Farmers Home Administration, in the official capacity of such officer, is a party to a proceeding pending on the date of the enactment of this Act, and under this Act the officer or any function of the officer is transferred to the Rural Development Administration, then such action will be continued with the Secretary or the Administrator of the Rural Development Administration, or other appropriate officer of the Department substituted or added as a party.

Subsection (e)(3) of the new section 359 will provide that the rights, interests, obligations, and duties of the Farmers Home Administration arising before the date of the enactment of the Rural Economic Development Act of 1990 out of any loan made, insured, or guaranteed, or any grant or contract made, by the Farmers Home Administration in the exercise of its functions will continue to be vested in the Farmers Home Administration (except with respect to any function to be exercised on or after such date by the Rural Development Administration), or in the Rural Development Administration (with respect to any function to be exercised on or after such date by the Rural Development Administration).

Subsection (f) of the new section 359 will provide that the Administrator of the Rural Development Administration will be compensated in accordance with the Senior Executive Service, as provided for in subchapter VIII of chapter 53 of title 5, United States Code.

Subsection (b)(1) of section 101 will provide that, notwithstanding the provisions of section 331 of the Consolidated Farm and Rural Development Act, the Secretary must, as soon as practicable, but in no case later than 180 days after the date of enactment, transfer to the Rural Development Administration the powers, duties, and assets of the agencies, offices, and other entities in the Department of Agriculture, or elements thereof, related to the performance of rural development functions, including, but not limited to, the agencies, offices, and other entities in the Department of Agriculture, or elements thereof, that administer programs under the following provisions of law:

(1) sections 303(a)(2) and 303(a)(3) of the Consolidated Farm and Rural Development Act, which provide that loans may be made or insured for recreational uses and facilities or enterprises needed to supplement farm income;

(2) section 304(b) of the Consolidated Farm and Rural Development Act, which provides that loans may be made or insured to rural residents to acquire or establish in rural areas small business enterprises to provide such residents with essential income;

(3) section 306(a) of the Consolidated Farm and Rural Development Act, which authorizes the current Farmers Home Administration water and waste facility loan and grant program;

(4) section 306B of the Consolidated Farm and Rural Development Act, as added by section 804 of the bill, which would authorize water and waste facility loans and grants to alleviate certain health risks;

(5) section 310A of the Consolidated Farm and Rural Development Act, which provides that loans meeting the requirements of the Watershed Protection and Flood Prevention Act of title III of the Bankhead-Jones Farm Tenant Act may be insured, or made to be sold and insured, in accordance with certain conditions;

(6) section 310B of the Consolidated Farm and Rural Development Act, which in part authorizes the Farmers Home Administration business and industry loan and grant program;

(7) sections 312(a) (5) and (6) of the Consolidated Farm and Rural Development Act, which authorize—

(A) in paragraph (5), that, without regard to the requirements of sections 311 (2) and (3), loans may be made to farmers or ranchers to finance outdoor recreational enterprises or to convert to recreational uses their farming or ranching operations, including those previously financed under the Consolidated Farm and Rural Development Act; and

(B) in paragraph (6), that loans may be made for enterprises needed to supplement farm income;

(8) section 1323 of the Food Security Act of 1985 (7 U.S.C. 1932 note), which provides that the Secretary will guarantee loans made by public agencies or private organizations to nonprofit national rural development and finance corporations; and

(9) title VI of the Rural Development Act of 1972, which contains programs to—(A) encourage the location of Federal offices in rural areas, (B) coordinate rural development activities, provide cost-sharing for agriculture-related pollution prevention and abatement measures, and for other purposes.

Subsection (b)(2) of section 101 will provide that the Secretary must make such determinations, and must transfer such personnel from the Farmers Home Administration, as may be necessary or appropriate with regard to the functions transferred under the new section 359, to the Rural Development Administration. The Secretary must also make such additional incidental dispositions of personnel, assets, liabilities, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available, or to be made available in connection with the functions transferred by this section, as the Secretary may deem necessary to accomplish the purposes of the new section 359.

Subsection (b)(3) of section 101 will provide that the Administrator of the Farmers Home Administration and the Secretary must take whatever steps are necessary to assure the effective and efficient transfer of authority as provided for in that section.

It is intended that the Secretary will accomplish the division and transfer of functions required by section 101 in the most efficient and economical manner. Because FmHA is currently a nationwide organization with state, district, and county offices, as well as centralized offices for fiscal and data processing functions, it is recognized that both FmHA and the new RDA may need to enter into agreements to share facilities and functions. It is not intended that an entire new bureaucratic structure be established for the operations of RDA.

Section 102—Conforming Amendments

Section 102 will make a number of technical and conforming changes to the Consolidated Farm and Rural Development Act, the Community Economic Development Act of 1981, and title 18, United States Code, necessitated by section 101 of the bill.

TITLE II—LOCAL PRIORITIZATION OF PROJECT FUNDING

Title II will create a new delivery system for the Department's rural development programs which is designed to facilitate the maximum possible involvement of citizens at the State level who are affected by the programs, and to provide for flexibility in meeting the unique rural development needs of the State. This new delivery system will look to a panel of citizens in each State for advice on programmatic priorities, while reserving to the Secretary of Agriculture the decisions regarding the funding of individual applications for Department of Agriculture rural development programs.

Section 201—Delivery of certain rural development programs

Section 201 of the bill will establish a new delivery system for the rural development programs of the Department of Agriculture, and defines the duties, responsibilities, and authorities of the various participants in the system.

Section 360 of the Consolidated Farm and Rural Development Act

Subsection (a) of section 201 will amend the Consolidated Farm and Rural Development Act, effective on the first day of the fiscal year immediately following the enactment of the Rural Economic Development Act of 1990, by adding at the end the new sections 360 and 361, as described below.

Subsection (a) of the new section 360 will provide that—

(1) assistance under each designated rural development program must be provided in eligible States to qualified projects in accordance with section 360; and

(2) the Secretary must not provide assistance under any designated rural development program in any State which is not an eligible State.

Subsection (b) of the new section 360 will define a number of terms for the purposes of sections 360 and 361 of the Consolidated Farm and Rural Development Act, as added by the bill, including—

(1) Area plan.—The term "area plan" means, with respect to a local or regional area in a State, the long range rural development plan developed for the area. Each area plan must identify the geographical boundaries of the area and include—

(A) an overall development plan for the area with goals, including business development and infrastructure development goals, and time lines based on a realistic assessment of the area, including, but not limited to—

(i) the number and types of businesses in the area that are growing or declining, and a list of the types of businesses that the area could potentially support;

(ii) the outstanding need for water and waste and other public services or facilities in the area;

(iii) the realistic possibilities for industrial recruitment in the area;

(iv) the potential for the development of tourism in the area;

(v) the potential for the generation of employment in the area through the creation of small businesses and the expansion of existing businesses; and

(vi) the potential for the production of value-added agricultural products in the area;

(B) an inventory and assessment of the human resources of the area, including, but not limited to—

(i) a current list of organizations in the area and their special interests;

(ii) the current level of participation of area residents in rural development activities and the level of participation required for successful implementation of the plan;

(iii) the availability of general and specialized job training in the area and the extent to which the needs of the area for such training are not being met;

(iv) a list of area residents with special skills which could be useful in developing and implementing the plan; and

(v) an analysis of the human needs of the area, the resources in the area available to meet those needs, and the manner in which the plan, if implemented, would increase the resources available to meet those needs;

(C) the current degree of intergovernmental cooperation in the area and the degree of such cooperation needed for the successful implementation of the plan;

(D) the ability and willingness of governments and citizens in the area to become involved in developing and implementing the plan;

(E) a description of how the governments in the area will apply budget and fiscal control processes to the plan; and

(F) the extent to which public services and facilities need to be improved to achieve the economic development and quality of life goals of the plan, taking into consideration, at a minimum—

(i) law enforcement;
(ii) fire protection;
(iii) water and solid waste management;
(iv) education;
(v) health care;
(vi) transportation;
(vii) housing;

(viii) communications; and

(ix) the availability of, and capability to generate, electric power.

The area plans defined in the new section 360(b)(1), and reviewed by the advisory State rural economic development review panel pursuant to the new sections 361 (b)(1) and (b)(2), will serve as the basis for the panel to advise the Secretary on whether applications for assistance under such programs should be funded. The plans will be produced and submitted to the advisory panel by representatives of the affected local or regional areas. These may be plans already in existence, or they may be developed specifically to meet the requirements of the bill. The bill does not specify the size of the geographic areas that such plans must include, but it is intended that to the maximum possible extent areas should be composed of multi-county groupings. It is believed that plans that include only a single community or county may have little chance of achieving success because of the lack of long-term economic viability. However, if the citizens of a single community or county believe that it is in their best interest to develop their own plan they are allowed to proceed in that manner. Decisions made by local citizens in this context are subject to evaluation by the state-level review panel discussed below.

The bill does not specify who is responsible for developing a local area plan. Hence, citizens in those areas can decide for themselves how the process should be conducted. It is believed that responsible planning requires the commitment of and participation by local government, business, industry, finance, transportation, utility, labor, agriculture, and education entities, and community leaders, professionals, and other interested individuals.

It is also intended that in evaluating such plans under the new section 361(b)(2) the advisory panel give great weight and careful consideration to the proposed plans and other comments and suggestions submitted by intergovernmental development councils or similar organizations that are, or have historically been, charged with the responsibility for developing and implementing regional rural development plans.

(2) Designated rural development program.—The term "designated rural development program" means a program carried out under section 304(b), 306(a), or subsection (a) through (f) and (h) of section 310B of the Consolidated Farm and Rural Development Act, or under section 1323 of the Food Security Act of 1985, for which funds are available at any time during the fiscal year.

(3) Eligible State.—The term "eligible State" means a State with respect to which all of the following apply not later than the effective date of the new section 360:

(A) The State has established an advisory rural economic development review panel meeting the requirements of section 361, as added by the bill.

(B) The Governor of the State has appointed an officer or employee of the State government to—

(i) manage, operate, and carry out the instructions of, the panel; and

(ii) serve as a liaison between the panel and the Federal and State agencies involved in rural development, including transmitting to the Secretary any list transmitted to the State coordinator pursuant to the new section 361(b)(6).

(C) The State has designated an agency to provide the panel and the State coordinator with support for the daily operation of the panel.

(4) Qualified project.—The term "qualified project" means any project—

(A) for which the agency described in paragraph (3)(C) of the new section 360(b) of the State has identified—

(i) the alternative Federal, State, local, or private sources of assistance; and

(ii) the related activities in the State; and

(B) to which the Secretary is required by the new section 360(c)(4) to provide assistance.

(5) State coordinator.—The term "State coordinator" means the individual appointed by the Governor of the State to carry out the activities described in the new section (b)(3)(B).

(6) State rural economic development review panel.—The term "State rural economic development review panel" means an advisory panel specified in the new section 361.

Subsection (c) of the new section 360 will require the Secretary of Agriculture, with respect to each eligible State, to—

(1) review the list of ranked applications, if any, transmitted pursuant to the new section 361(b)(6) by any State coordinator;

(2) determine whether each project described in an application in the list meets the requirements of the rural development program under which the application seeks assistance;

(3) remove from the list any application for a project that does not meet the requirements;

(4)(A) provide assistance, subject to available funds, to the projects in the applications remaining in the list after the list has (if necessary) been modified pursuant to paragraph (3), giving great weight to the order in which the applications for such projects are ranked; and

(B) if assistance is provided to any project on such a list without providing assistance to all projects ranked higher in priority by the panel, the Secretary must report to the panel, the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate within 10 days of determining to fund the lower-ranked project and explain the reasons for not assisting any project ranked higher in priority by the panel;

(5) within 30 days after the date of the enactment of any Act providing appropriations for any designated rural development program for any fiscal year, notify each State of (A) the amounts to be made available to such State under such program for such fiscal year, and (B) the aggregate for such fiscal year of such amounts under all the designated rural development programs;

(6) pay per diem or otherwise reimburse each full-time officer or employee of the United States who is a member of a

State rural economic development review panel for expenses incurred each day (including travel time) during which the officer or employee is engaged in the actual performance of a duty of the panel; and

(7) from amounts appropriated for grants under any provision of section 306(a) of the Consolidated Farm and Rural Development Act, make grants not to exceed $100,000 annually to each eligible State for the administrative costs associated with the State rural economic development review panel.

It is the intent of the Committee that the grant funds made available to a State under paragraph (7) be used to share the administrative costs of the panel with the States, and that such grant funds be taken from the national pool administered by the Department, not from the States' individual allocations of grant funds.

Subsection (d) of the new section 360 will authorize the Secretary to appoint as nonvoting members, temporarily and for specific purposes, personnel from any department or agency of the United States, with the consent of the head of such department or agency, with expertise not available among the members of any State rural economic development review panel as may be necessary to enable the panel to perform a duty described in the new section 361(b).

Examples of the need for this expertise are instances when: (A) a plan might include an airport facility, thus necessitating advice from the Federal Aviation Administration; or (B) a plan or project includes a rural education component requiring expertise from the Department of Education. It is also anticipated that the panels will seek out other rural development experts within the academic and research community for advice and assistance as necessary.

Subsection (e)(1) of the new section 360 will require the Secretary to allocate the sums appropriated for direct loans, loan guarantees, or grants for any designated rural development program made available to a State under such program for any fiscal year to the projects specified in the new section 360(c)(4) giving great weight to the order in which the applications for such projects are ranked on the list specified in the new section 360(c)(1). If the sums appropriated for direct loans, loan guarantees, or grants for any designated rural development program made available to the State under such program for any fiscal year are insufficient to enable the Secretary to provide the full amount of the assistance requested for a project specified in the new section 360(c)(4), the Secretary may, subject to paragraph (2) of the new section 360(e), notwithstanding any provision of law relating to appropriations for any such program for the fiscal year, transfer to the program from other such programs part or all of the sums appropriated for loans, loan guarantees, or grants, as the case may be, made available to the State for such other programs for such fiscal year. The amount transferred from a program under this subsection must not exceed the amount for such program left unobligated after obligating to each project in an application ranked higher in priority on such list the full amount of assistance requested for each such project.

The Secretary's limited reprogramming authority under the new section 360(e)(1) can be used only to transfer or reprogram funds from like program to like program. For instance, funds appropriated for a grant program may only be transferred to another grant program; loan funds to another loan program; loan guarantee authority to another loan guarantee program.

The limited transfer authority afforded to the Secretary of Agriculture under the new section 360(e)(1) applies only prospectively, effective on the first day of the fiscal year beginning immediately after the date of enactment of the bill. The new section 360(e) does not authorize the Secretary to transfer funds appropriated prior to the date of enactment nor from one fiscal year to another.

Subsection (e)(2) of the new section 360 will provide that the Secretary may not transfer funds from one designated rural development grant program to another under paragraph (1) if—

(A) the sum of—

(i) the amount of funds transferred into such grant program, plus

(ii) the amount of funds appropriated for such grant program receiving such transfer of funds for the fiscal year

exceeds the limit on the statutorily authorized amount of funds that may be appropriated for such grant program receiving such transfer of funds; or

(B) such transfer of funds would be made—

(i) from a grant program for which there is a limit on the statutorily authorized amount that may be appropriated for such program;

(ii) to a grant program for which there is no limit on the statutorily authorized amount that may be appropriated for such program.

As an example, water and sewer grants were authorized for appropriations up to a maximum amount of $154.9 million in fiscal year 1990, and $209.38 million in funds were appropriated for fiscal year 1990. The rural development grant program was authorized for appropriations of up to $50 million, and $16.5 million was appropriated for fiscal year 1990. Under these circumstances, if the new section 360 were in effect, the Secretary could transfer up to $33.5 million from the water and sewer grant program to the rural development program. No funds could be transferred from the rural development grant program to the water and sewer grant program, because the water and sewer grant program had already exceeded its maximum authorized appropriation amount.

Subsection (e)(3) of the new section 360 will provide that, notwithstanding the Secretary's transfer authority under subsection (e)(1), the Secretary must, on July 15 of each year, and from time to time thereafter during the fiscal year as the Secretary determines appropriate, pool from among the States any unobligated funds appropriated for direct loans, loan guarantees, or grants for each designated rural development program and reallocate such funds for each such program back to the States according to need, as determined by the Secretary. This process of reallocating unused appropriated rural development funds is similar to that used under the current administration of these programs.

Subsection (f) of the new section 360 will provide that the Federal Advisory Committee Act will not apply to any State rural economic development review panel.

Subsection (g) of the new section 360 will provide that the members of a State rural economic development review panel will not be liable to any person with respect to any determination made by the panel.

Subsection (h)(1) of the new section 360 will provide that borrowers under title III of the Rural Electrification Act of 1936 will be eligible to receive loans and grants under section 306 of the Consolidated Farm and Rural Development Act on an equal basis with any other applicant for such assistance. Subsection (h) will also provide that the terms and conditions, rules, criteria and other provisions of section 306 will apply to such a borrower, and that the Administrator of the Rural Electrification Administration must provide technical assistance to such borrowers with respect to such water and waste facilities and loans and grants for such facilities.

Subsection (h)(2) of the new section 360 will require the Secretary to establish rules and procedures to prohibit borrowers under title III of the Rural Electrification Act of 1936 from conditioning or limiting access to, or the use of, water and waste facility services financed under the Consolidated Farm and Rural Development Act, based on whether individuals or entities in the area served or proposed to be served by such facility receive, or will accept, electric service from such borrower.

Section 361 of the Consolidated Farm and Rural Development Act

Subsection (a) of the new section 361 will provide that each State rural economic development review panel specified in section 360(b)(3)(A) must meet all of the requirements of the new section 361.

Subsection (b) of the new section 361 outlines the duties of each rural economic development review panel. The panel will have two main duties. The first is to review and approve the development plans of the local areas according to criteria in the bill. The second duty is to rank order applications for projects to be funded under programs of the Rural Development Administration. This duty will require the panel to evaluate the technical aspects of a proposal, for example, marketing plans and revenue projections of a business proposal and similar aspects of an infrastructure proposal.

The specific duties outlined in section 361 include:

(1) in subsection (b)(1), the duty to review each area plan submitted by a local or regional area.

(2) in subsection (b)(2)(A), the duty to evaluate, pursuant to a written policy and criteria, each area plan submitted by a local or regional area and either—

(i) accept any area plan that is technically and economically adequate, feasible, and likely to succeed in meeting the stated goals of the plan, unless the plan is incompatible with any other area plan for that area that has been accepted by the panel; or

(ii) return any plan that is technically or economically inadequate, infeasible, unlikely to be successful, or incompatible with any other area plan for that area that has been accepted by the panel, with an explanation of the reasons for the return with suggested alternative proposals. If the panel returns such a plan without approving it, the panel must specify why it is being returned without approval and suggest improvements in the plan to make the plan acceptable.

In evaluating area or regional plans under the new section 361(b)(2)(A), the panel must give great weight to the area or regional plans or other comments or suggestions submitted by intergovernmental development councils, or similar organizations made up of local elected officials, charged with the responsibility for rural or regional development. The Committee recognizes that such councils or organizations have historically been responsible for developing and implementing such area and regional development plans, and that they have developed and possess great expertise in rural development from which the panel can profit.

Prior to reviewing plans or rank ordering projects, the panel must adopt written criteria and procedures to be used in reviewing plans and rank ordering projects. The panel must provide for public input when establishing its initial criteria and procedures, and it must conduct an annual review to determine whether the criteria and procedures should be updated.

(3) in subsection (b)(2)(B), the duty to evaluate each application for assistance to determine whether the project is compatible with the area plan, and either (i) accept compatible applications, or (ii) return to the Rural Development Administration incompatible applications.

(4) in subsection (b)(3), the duty to review applications for assistance for projects to be carried out in any area the area plan for which has been accepted pursuant to the new section 361(b)(2)(A), taking into account the sources of assistance and related activities identified pursuant to the new section 360(b)(4)(A), and to rank such applications, subject to the new sections 361(b)(4) and 361(b)(5), pursuant to a written policy and criteria, in an order that takes into account—

(A) in the case of business projects described in the application—

(i) the extent to which a project would—

(I) stimulate rural development by creating new jobs of a permanent nature or retaining existing jobs, by enabling new small businesses to be started, or existing businesses to be expanded by local or regional area residents who own and operate the businesses;

(II) contribute to the enhancement and the diversification of the local or regional area economy;

(III) generate or retain jobs for local or regional area residents;

(IV) be carried out by persons with sufficient managerial capability;

(V) be likely to become financially viable; and

(VI) assist a local or regional area in overcoming severe economic distress;

(ii) the distribution of assistance to projects in as many areas as possible in the State, with sensitivity to geographical distribution;

(iii) the technical aspects of the projects;

(iv) the market potential and marketing arrangements for the projects; and

(v) the potential of such project to promote the growth of a rural community by improving the ability of the community to increase the number of persons residing therein and by improving the quality of life of such persons; and

(B) in the case of infrastructure and community facility projects described in the applications the extent to which a project would—

(i) have the potential to promote the growth of a rural community by improving the quality of life for local or regional area residents;

(ii) affect the health and safety of local or regional area residents;

(iii) affect business productivity and efficiency;

(iv) enhance commercial business activity;

(v) have the potential to promote long-term growth, including by increasing the number of persons residing in a rural community;

(vi) address a severe loss or lack of water quality or quantity;

(vii) bring a community into compliance with Federal or State water or waste water standards; and

(viii) consolidate water and waste systems and utilize management efficiencies in new systems.

(5) in subsection (b)(4), the duty to give priority in reviewing and ranking applications for projects designed to address a health emergency declared to be such by the appropriate Federal or State government agency, notwithstanding the criteria established in subsection (b)(3).

Subsection (b)(4) of the bill specifically creates a priority for funding of projects which are designed to address or alleviate a declared health emergency. A health emergency in this context includes not only an immediate declared emergency by a Federal or State agency but a notice from such an agency that a water or sewer system, or the lack thereof, presents a serious public health hazard. Such projects could include providing new or improved treatment to remove health endangering organic, inorganic, or radioactive chemicals found in drinking water sources, or providing an alternative safe drinking water source to users of such contaminated water. Other examples of such health emergencies could include (1) providing for a new water source as a result of a well being contaminated by sewage, industrial waste, or other chemicals; (2) installing treatment facilities to remove radon; (3) adding a lime softening process to reduce lead in drinking water; (4) improving the capacity or treatment of a waste facility to prevent raw or inadequately treated sewage from being discharged into a river or otherwise disposed of in an unhealthy manner; (5) replacing lead service lines in water distribution systems; or (6) installing filtration to remove disease-causing microorganisms which have created a public health hazard.

(6) in subsection (b)(5), the duty to give priority to those applications deemed to have the greatest need, if in ranking ap-

plications under subsections (b)(3) and (b)(4), 2 or more applications are determined to have comparable strengths in their feasibility and potential for growth.

(7) in subsection (b)(6), the duty to transmit to the State coordinator each list of all applications received and indicate on the list—

(A) for all applications accepted under the new section 361(b)(2)(B)(i), the rank of such applications in accordance with the new subsections (b)(3), (b)(4), and (b)(5); and

(B) for all applications returned under the new section 361(b)(2)(B)(ii), the fact that the application was returned pursuant to such section,

and instruct the State coordinator to transmit the list to the Secretary.

(8) in subsection (b)(7), the duty to make available to the public the list of ranked applications submitted under subsection (b)(6), along with a brief explanation of and justification of why the project applications received their respective prioritizations.

(9) in subsection (b)(8), the duty to establish and annually review the written policy and criteria used by the panel in evaluating and ranking applications, in accordance with subsection (b), to ensure that the policy and criteria are consistent with current rural development needs, and to provide for public input during the development of the initial policy and criteria.

Subsection (c) of the new section 361 will provide for the membership of the advisory rural economic development review panels.

Paragraph (1) of the new section 361(c) will provide that the rural economic development review panel will be composed of not more than 16 voting members who are representatives of rural areas, of whom—

(A) 1 is the Governor of the State or the person designated by the Governor to serve on the panel on behalf of the Governor for that year;

(B) 1 is the director of the State agency responsible for economic and community development or the person designated by the director to serve on the panel on behalf of the director for that year;

It is the intent of the Committee that any persons designated by the Governor or the director to serve on the panel pursuant to subparagraphs (A) and (B) should serve in such capacity for at least a year, and must be personally responsible for attending panel meetings and carrying out the other responsibilities of the Governor and the director attendant to membership on the panel. This will allow the Governor, the director, or the persons designated by them to serve on the panel, to develop in-depth knowledge of the State's rural development needs, to make a significant contribution to the panel's work, and provide for continuity on the panel over time. Representatives are not to be designated by the Governor or the director on a temporary, ad hoc basis.

(C) 1 is appointed by a statewide association of banking organizations;

(D) 1 is appointed by a statewide association of investor-owned utilities;

(E) 1 is appointed by a statewide association of rural telephone cooperatives;

(F) 1 is appointed by a statewide association of non-cooperative telephone companies;

(G) 1 is appointed by a statewide association of rural electric cooperatives;

(H) 1 is appointed by a statewide association of health care organizations;

(I) 1 is appointed by a statewide association of existing local government-based planning and development organizations;

(J) 1 is appointed by the Governor from a statewide rural development organization which is not described in any of subparagraphs (C) through (I), but if no such statewide organization exists, there will be no appointment made under the new section 361(c)(1)(J) and, notwithstanding the new section 361(c)(1), the panel will be composed of not more than 15 voting members who are representatives of rural areas;

(K) 1 is appointed by a statewide association of counties;

(L) 1 is appointed by a statewide association of towns and townships, or by a statewide association of municipal leagues, as determined by the Governor;

(M) 1 is appointed by a statewide association of rural water districts;

(N) 1 is the State director of the Federal small business development center (or, if there is no small business development center in place with respect to the State, the director of the State office of the Small Business Administration);

(O) 1 is the director of the State office of the Economic Development Administration; and

(P) 1 is appointed by the Secretary from among the officers and employees of the Federal government.

Subsection (c)(2) of the new section 361 will provide that the panel will have not more than four non-voting members who will serve in an advisory capacity to the panel and are representatives of rural areas, of whom—

(A) 1 is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of business of the colleges and universities in the State;

(B) 1 is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of engineering of the colleges and universities in the State;

(C) 1 is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of agriculture of the colleges and universities in the State; and

(D) the director of the State agency responsible for extension services for the State.

The new sections 361 (c)(1) and (c)(2) specifically require that the persons named to the review panel by the various organizations must be representatives of rural areas. This means, for instance, that the representative selected to serve on the panel by a bankers association should be affiliated with a rural bank, or that the representative selected by an association of towns and townships be from a rural town. In this context it is the intent of the Committee that the term "rural area", as it applies to the individuals serving on the panel pursuant to subparagraphs (C), (D), (E), (F), (G), (H), (I), (J), (K), (L), (M), and (P), may include all territory of a State that is not within the outer boundary of any city having a population of 17,500 or more and its immediately adjacent urbanized or urbanizing areas with a population density of more than 100 persons per square mile, as determined by the Secretary of Agriculture according to the latest decennial census of the United States. It is the intent of the Committee that the term "rural area" have the same meaning, to the extent practicable, with regard to persons designated to serve on the panel by the Governor or the director of the State agency responsible for economic and community development, pursuant to subparagraphs (A) and (B), respectively.

Subsection (c)(3)(A) of the new section 361 will provide that, if there is no statewide association or organization described in subparagraph (C), (D), (E), (F), (G), (H), (I), (K), (L), or (M) of subsection (c)(1) of the entities described in such subsection, the Governor of the State will appoint an individual to fill the position or positions, as the case may be, from among nominations submitted by local groups of such entities.

Subsection (c)(3)(B) of the new section 361 will provide that, in those instances where there is more than one of the statewide associations or organizations described in subparagraph (C), (D), (E), (F), (G), (H), (I), (K), (L), or (M) of subsection (c)(1) of the entities described in such subsection, the Governor will select which organization will name a member. The Governor is required to rotate such selection among the eligible associations or organizations so that a representative of the selected association or organization will serve no more than two years before another association or organization is selected by the Governor to name a representative to the panel.

Subsection (d) of the new section 361 will provide that each statewide organization that selects an individual to represent the organization on the panel must notify the Governor of the State of the selection.

Subsection (e) of the new section 361 will provide that each individual appointed to the panel by the Governor must be specially qualified to serve on the panel by virtue of the individual's technical expertise in business and community development.

Subsection (f) of the new section 361 will provide that a vacancy on the panel must be filled in the manner in which the original appointment was made.

Subsection (g) of the new section 361 will provide that the panel must elect 2 members of the panel who are not officers or employees of the United States to serve as the chairperson and vice chairperson of the panel for a term of 1 year.

Subsection (h) of the new section 361 will provide that, except as provided in section 360(c)(6), each member of the panel who is an officer or employee of the Federal Government may not receive any compensation or benefits, in addition to that which such officer or employee receives for performance of such officer or employee's regular employment, by reason of service on the panel.

Subsection (i) of the new section 361 will provide the rules governing panel meetings, including rules requiring that—

(1) a majority of the members of the panel will constitute a quorum for the purpose of conducting business of the panel;

(2) the panel must meet not less frequently than quarterly;

(3) the State coordinator must schedule the first panel meeting; and

(4) the panel must keep records of the minutes of the meetings, deliberations, and evaluations of the panel, in sufficient detail to enable the panel to provide to interested persons the reasons for its actions.

Subsection (b) of section 201 of the bill will make a conforming change in section 306(a)(3) of the Consolidated Farm and Rural Development Act, by striking, among other requirements, the requirement that all water and waste projects authorized under section 306 be found by the Secretary to be "not inconsistent" with any planned development provided in any State, multijurisdictional, county, or municipal plan approved by competent authority for the area in which the rural community is located.

It is the intention of the Committee that the new delivery system for the affected rural development programs administered by the Department of Agriculture will operate as described below.

Following the acceptance of a local area plan under the new section 361(b)(2)(A), citizens and communities may submit applications for funding under the programs authorized by law and administered by the Department. It is expected that applications for funding will be submitted to the local, regional or state offices of the Rural Development Administration in the same manner that applications are now submitted to the Farmers Home Administration. It is expected that those Federal offices will begin processing of the applications. Those applications that meet statutory requirements will be forwarded for the consideration of the review panel. The review panel may specify how it wishes to receive the applications.

The function of the Rural Development Administration (RDA) will be to determine if the application meets the legal requirements for such programs. The function of the review panel is to determine if the proposal is economically and technically viable and to assign a priority to the application in relation to all other applications.

It is expected that there will be coordination between the RDA and the review panel so that project applications which appear not to meet statutory or regulatory requirements will not have to be considered by the panel until those requirements have been met. It should be noted, however, that the review panel's membership includes persons with expertise in the availability of other funding and finance possibilities and the review panel may wish to suggest alternative funding sources to the applicant in such cases.

It has been the practice of the Department of Agriculture to evaluate preliminary applications for infrastructure projects to determine if such applications are likely to meet statutory and regulatory requirements before the applicant proceeds to complete expensive engineering planning. It is expected that this practice will continue and that the review panels should also give advice to such applicants about the preliminary ranking that such an application might receive. It is not expected that the preliminary approval by the RDA or the preliminary ranking by the review panel would ultimately be binding when the formal application is submitted.

It is expected that the review panels will use wide latitude in furthering rural development in each State. The rank order requirements of the bill apply only to those designated rural development programs included in the definition of such term in the new section 360(b)(2).

It is expected that the first step in the rank order process by the review panel will be to determine if the proposal fits the approved local area plan.

The Committee is concerned over the lack of availability and extreme high cost of homeowners insurance in rural areas due to the lack of rural fire protection. The high cost of insurance is an undue burden on current residents and a serious impediment to people and businesses considering relocation in rural areas. Adequate fire protection in an area results in much lower insurance rates. Increased availability of community facility project funds for the construction and purchase of fire protection facilities should be given serious consideration by State rural economic development review panels to help reduce the burden of high fire insurance cost, stimulate economic growth in rural areas, and protect the health and safety of local or regional area residents.

The panel's rank order is submitted to the Secretary of Agriculture who approves funding for those projects which meet the statutory requirements of the programs. The bill does not affect the Secretary's authority to determine which applications will be approved and funded. Any applications which are not rank ordered must also be submitted to the Secretary; the bill specifically recognizes that the panel advises the Secretary on funding. It is anticipated that the list of rank-ordered applications may be submitted to the Secretary or to the office or official designated by the Secretary to receive such list.

A decision by the Secretary to reject or not to fund a rank- ordered application on grounds other than its failure to meet program regulations will not be taken lightly by the Committee.

The thrust of the delivery system is to further the economic development of Rural America so that rural economies may benefit from the vigor of the national economy and global growth by generating new employment and income-producing opportunities. It encourages the establishment and growth of locally-owned and managed small and very small businesses as an alternative to the practice of attempting to recruit outside businesses to relocate into the rural area.

The intention of the system of rank-ordering of project applications by the State panels under sections 361(b) (3), (4), and (5) is to provide the citizens of each State with the ability to determine what projects will be most beneficial to the State. The authority for the Secretary to transfer funds between rural development programs under section 360(e) is key to ensuring that this flexibility is carried out in funding projects at the Federal level.

Section 202—State revolving funds for loans to very small business ventures

Section 202(a) will require that, on the request of a State rural economic development review panel specified in the new section 361 of the Consolidated Farm and Rural Development Act, the Secretary may, during one and only one fiscal year, as specified by the panel, make funds available, from the funds available to provide grants to the State in the respective fiscal year for designated rural development programs, to a State agency designated by the Governor of the State for the capitalization of a revolving fund to finance and facilitate startup or expansion of private very small businesses in the State, for so long as such funds are used in accordance with this section.

It must be recognized that a State panel may exercise the authority to receive these funds for the purpose of capitalizing a revolving loan fund only one time. It should also be recognized that if a review panel decides to exercise this new authority, it will effectively reduce the grant funds available for other projects in that fiscal year.

Section 202(b) will provide that the amount of funds made available for the capitalization of the revolving loan fund under subsection (a) must be in the amount determined by the State panel, but not in excess of 25 percent of the grant funds available to that State for the fiscal year in which the panel exercises such authority.

Section 202(c) will provide that the State agency designated by the Governor of the State pursuant to section 202(a) must manage, operate, and provide for the fiscal integrity of the revolving fund described in section 202(a).

Section 202(d)(1) will provide that the State agency designated by the Governor of the State pursuant to subsection (a) will—

(A) determine whether each applicant is eligible for a loan from the revolving fund;

(B) transmit to the State rural economic development review panel any recommended application for a loan from an eligible applicant; and

(C) make a loan from the fund to an applicant whose application is approved by the State rural economic dvelopment review panel.

Section 202(d)(2) will provide that the State rural economic development review panel will—

(A) review each application for a loan from the revolving fund that is transmitted to the panel; and

(B) determine whether or not to approve the application taking into account relevant factors, including—

(i) the extent to which the application is consistent with any area plan, as defined in the new section 360(b)(1) of the Consolidated Farm and Rural Development Act, accepted by such panel pursuant to the new section 361(b)(2) of such Act, for the area in which the project proposed by the application is to be implemented; and

(ii) the criteria set forth in the new sections 361(b)(3),(4), and (5) of the Consolidated Farm and Rural Development Act.

Section 202(e) will provide that a State that receives a funds under section 202(a) must use such funds to make loans at prevailing interest rates—

(1) to private very small businesses, either directly or through intermediaries which have established programs for providing financial and technical assistance to local businesses; and

(2) for the capitalization of intrastate revolving loan funds.

Section 202(f) will provide that section 202 must not be construed to prevent a State that receives funds under this section from commingling in the revolving fund monies from other sources.

Section 202(g) will provide that, for the purposes of section 202, the term "very small business" means any business having fewer than 30 employees.

It is intended that the revolving loan fund established under section 202 will operate within the new delivery system for rural development programs authorized under the new sections 360 and 361 of the Consolidated Farm and Rural Development Act. It is also intended that the review panel specified in those sections will have a decisive voice in improving the State's economic base in rural areas. Therefore, while the revolving fund is to be administered by a designated State agency, the final approval for loans rests with the review panel which will use the same evaluation criteria used for rank ordering applications for federal funds; however, revolving fund loan applications will be approved or disapproved rather than rank-ordered.

Loans from the revolving fund will be reserved for "very small businesses" which are defined as those with fewer than 30 employees. In this context, it is expected that the State agency will act in the manner of a loan officer whose function is to determine the viability of the proposal and that the review panel will act in the manner of a loan committee that decides if the loan will be made. The State agency will be responsible for servicing any loans which are approved, and it will also be responsible for the fiscal integrity of the revolving loan fund. Funds from other sources may be added to the capital of the revolving loan fund, however this is not required.

The review panel is authorized to approve loans to capitalize intermediary lending entities. The review panel may require that such loans fund be supplemented by matching funds by the entity.

TITLE III—ENHANCEMENT OF EXISTING RURAL DEVELOPMENT PROGRAMS

Section 301—Rural Electrification Administration technical assistance unit

Section 301 will amend title I of the Rural Electrification Act of 1936 by adding at the end a new section 17 to establish a technical assistance unit within the Rural Electrification Administration (REA).

Subsection (a) of the new section 17 will require the Administrator of the REA to establish a technical assistance unit to perform the duties described in subsection (b).

Subsection (b) of the new section 17 will require the technical assistance unit to—

(1) provide advice and guidance to electric and telephone borrowers concerning the effective and prudent use by such borrowers of the investment authority under section 312 of the Rural Electrification Act [1] to promote rural development;

(2) provide technical advice, troubleshooting, and guidance concerning the operation of programs or systems that receive assistance under the Rural Electrification Act;

(3) establish and administer various pilot projects through electric and telephone borrowers that the Administrator determines are useful or necessary, and recommend specific rural development projects for rural areas;

(4) act as an information clearinghouse (using, to the extent practicable, the resources of the National Agricultural Library) and conduit to provide information to electric and telephone borrowers under the Rural Electrification Act concerning useful and effective rural development efforts that such borrowers may wish to apply in their areas of operation and concerning State, regional, or local plans for long-term rural economic development;

(5) provide information to electric and telephone borrowers concerning the eligibility of such borrowers to apply for financial assistance, loans, or grants from other Federal agencies and non-Federal sources to enable such borrowers to expand their rural development efforts; and

(6) promote local partnerships and other coordination between borrowers and community organizations, States, counties, or other entities, to improve rural development.

Subsection (c) of the new section 17 will require that not less than 3 percent of the salaries and expenses of the Rural Electrification Administration be made available during each fiscal year to the technical assistance unit.

It is the intent of the Committee that the function of the technical assistance unit established under this section will be to advise and assist rural electric cooperatives to increase their involvement in rural economic development projects in the areas they serve. It is expected that the Secretary will require the technical assistance unit in the Rural Electrification Administration to obtain information from the information center established in the National Agricultural Library under section 401 of the bill. It is also expected that the Secretary will require the technical assistance unit to make available to the Library all rural development information that the unit acquires from all sources as well as that information developed by the unit.

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[1] Section 312 of the Rural Electrification Act of 1936 (7 U.S.C. 940b) provides that: "A borrower of an insured or guaranteed electric loan under this Act may, without restriction or prior approval of the Administrator, invest its own funds or make loans or guarantees, not in excess of 15 percent of its total utility plant.".

Section 302—Deferment of payment on economic development loans

Section 302 of the bill will amend section 12 of the Rural Electrification Act of 1936 by redesignating the current section 12 as section 12(a) and by adding a new subsection (b).[2]

Paragraph (1) of the new subsection (b) will require the Administrator to permit any borrower to defer the payment of principal and interest on any insured or direct loan made under the Act as provided in this subsection, notwithstanding any limitation in section 12(a), except that such deferment may not be permitted based on a determination by the Administrator of the financial hardship of the borrower.

Paragraph (2)(A) of the new subsection (b) will require that, in the case of deferments made to enable the borrower to provide financing to local businesses, the deferment must be repaid in equal installments, without the accrual of interest, over the 60-month period beginning on the date of the deferment, and the total amount of such payments will be equal to the amount of the payment deferred.

Paragraph (2)(B) of the new subsection (b) will require that, in the case of deferments made to enable the borrower to provide community development assistance, technical assistance to businesses, or similar community, business, or economic development assistance, the deferment must be repaid in equal installments, without the accrual of interest, over the 120-month period beginning on the date of the deferment, and the total amount of such payments must be equal to the amount of the payment deferred.

Paragraph (3)(A) of the new subsection (b) will provide that a borrower may defer its debt service payments only in an amount equal to an investment made by such borrower in the community, business, or economic development projects described in the new paragraph (2).

Paragraph (3)(B) of the new subsection (b) will provide that the amount of the deferment may not exceed 50 percent of the cost of a community or economic development project financed under paragraph (2).

Subparagraph (3)(C) of the new subsection (b) will provide that the total amount of deferments under this subsection during each of the fiscal years 1990 through 1993 may not exceed 3 percent of the total payments due during such fiscal year from all borrowers on direct and insured loans made under the Act, and may not exceed 5 percent of such total payments due in each subsequent fiscal year.

Subparagraph (3)(D) of the new subsection (b) will require the borrower, at the time of a deferment, to make a cushion of credit payment in an amount equal to the amount of the payment deferred. This payment will go to a cushion of credit account established and maintained in accordance with section 313 of the Rural Electrification Act of 1936. The borrower cannot reduce the balance in the account below the level of the unpaid balance of the payment deferred. Subject to limitations established in annual appropriations Acts, such cushion of credit amounts and any other cushion of credit and advance payments of any borrower must be included in the interest differential calculation under section 313(b)(2)(A) of the Rural Electrification Act of 1936.

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[2] Section 12 of the Rural Electrification Act authorizes the Administrator of the REA to extend the time of repayment of interest or principal of any loans made by the Administrator under the Act, with some limitations.

Paragraph (4) of the new subsection (b) will require the Administrator to undertake all reasonable efforts to permit the full amount of deferments authorized by subsection (b) during each fiscal year.

Section 303—Water and waste lending by banks for cooperatives

Subsection (a) of section 303 will amend section 3.7 of the Farm Credit Act of 1971 to authorize the banks for cooperatives to make and participate in loans and commitments, and to extend other technical and financial assistance for the purpose of the installation, expansion, or improvement of water facilities or systems or waste disposal facilities, to—

(1) cooperatives formed specifically for the purpose of establishing or operating such systems; and

(2) rural municipalities having populations not in excess of 20,000 inhabitants, if the proceeds from such loans are used to expand existing water or waste facilities in such municipalities, to enhance the economic development of such municipalities, or to address health-related problems of the inhabitants of such municipalities.

Subsection (b) of section 303 will amend section 3.8(b)(1) of the Farm Credit Act of 1971 to clarify that any cooperative or municipality described in subsection (a) is eligible to borrow from a bank for cooperatives.

The Committee understands that loans from banks for cooperatives will have to be made at market interest rates, not subsidized interest rates. Accordingly, cooperative and municipal borrowers under the new section 3.7(f) may require funds from other sources in order to make it economically possible to establish or operate a water or waste system. In those instances where a water or waste cooperative seeks funding from a bank for cooperatives to provide service in an area in close proximity to a municipality, the borrower must demonstrate that the project will not duplicate existing facilities and will be coordinated, to the extent possible, with existing and planned local government facilities. Such evidence of non-duplication and coordination with local governments is currently required by the banks for cooperatives as a prudent lending practice. The committee expects the banks to continue this practice in making loans to water and waste cooperatives under this section.

Section 304—Amendments to the business and industry loan program

Section 304 of the bill will amend section 310B(a) of the Consolidated Farm and Rural Development Act to—

(1) authorize the Secretary to make and insure loans to small and very small rural businesses to assist in the startup and expansion of such businesses that have presented an application for a business project meeting the criteria established under the new section 361(b)(3)(A) of the Act to the State rural economic development review panel;

(2) reduce the limit on an individual loan under the business and industry loan program from $25,000,000 to $5,000,000; and

(3) establish as the primary purpose of the business and industry loan program the assistance of small and very small rural businesses.

For the purposes of section 310B, the term "very small business" means a business having fewer than 30 employees; the term "small business" must not be defined in such a manner as to be inconsistent with the definition of such term established by the Small Business Administration pursuant to 15 U.S.C. 632, currently defined to include businesses with fewer than 500 employees.

It is the intent of the Committee that the reduction in the lending limit under section 304(2) will assure that the limited funds under the business and industry loan program ($95.7 million in fiscal year 1989) will be used to foster business growth in broad areas of the nation (only 60 loans were made nationwide during fiscal year 1989).

Section 305—Water or waste disposal loans to benefit rural businesses

Section 305 of the bill will amend section 306(a)(1) of the Consolidated Farm and Rural Development Act to provide that water and waste disposal loans may be made under section 306 to benefit rural businesses. Currently, such loans may be made if the project will primarily serve farmers, ranchers, farm tenants, farm laborers, and other rural residents.

It is expected that this authority will be used only in connection with actual business expansion, or simultaneously with approved proposals for business expansion. It is the intent of the Committee that this authority not be used to fund activities that might facilitate or anticipate future business expansion or development, such as the creation of an industrial park for which there are no new tenants, in the hope that new businesses might be attracted to the rural area in the future.

Section 306—Rural wastewater treatment circuit rider program

Subsection (a) of section 306 will require the Secretary to establish a national rural wastewater circuit rider grant program that will be modeled after the existing National Rural Water Association Rural Water Circuit Rider Program that receives funding from the Farmers Home Administration.

Subsection (b) will authorize to be appropriated $4,000,000 each fiscal year to carry out the program established under subsection (a).

Section 307—Increase on limitation of authorization for water and waste grants

Section 307 will amend section 306(a)(2) of the Consolidated Farm and Rural Development Act by striking the proviso that authorizations for appropriations for water and waste disposal grants under such section be limited to $154,900,000 in any fiscal year commencing after September 30, 1981. The effect of this amendment is to return to the limit on authorized appropriations under section 306(a)(2) to $500,000,000.

TITLE IV—RURAL DEVELOPMENT INFORMATION SHARING AND TECHNOLOGY TRANSFERS

Section 401—Rural development information sharing

Section 401 will amend section 306(a)(12)(A) of the Consolidated Farm and Rural Development Act to require the Secretary to center rural development information gathering and dissemination in the National Agricultural Library. Current law requires the gathering of the information, but it does not provide a one-stop dissemination system for such information. A recent General Accounting Office report noted that there are numerous programs spread throughout the Federal government dealing with rural development, but information detailing these programs is not readily obtainable by even the most knowledgeable persons. The information available in the Library should also include examples of successful and unsuccessful efforts to further growth in rural areas. The information must be made available through all possible means in addition to normal library exchange programs. It should be a policy of the National Agricultural Library to bring this information together in an easily accessible source so that policy makers may use this information as a management tool in rural development.

It is expected that the Secretary will augment the one-person staff at the Library now assigned to this function. It is also expected that the Secretary will provide the funds needed to enhance the ability of the Video and Teleconference Division and the Teleconference Center of the Department to provide simultaneous two-way audio-visual teleconferencing capability to multiple sites with the advent of FTS 2000.

Section 402—Rural technology grants

Subsection (a) of section 402 will amend section 310B of the Consolidated Farm and Rural Development Act by striking the current subsection (f) and adding the new subsections (f), (g), and (h).

Paragraph (1) of the new subsection 310B(f) will require the Secretary to make grants to nonprofit institutions for the purpose of enabling such institutions to establish and operate centers for rural technology or cooperative development.

Paragraph (2) of the new subsection 310B(f) will require any nonprofit institution seeking a grant under paragraph (1) to submit to the Secretary an application containing a plan for the establishment and operation by such institution of a center for rural technology or cooperative development. The Secretary may approve such application if such plan contains—

(A) a provision that substantiates that such centers will effectively serve rural areas in the United States;

(B) a provision that the primary objective of such center will be to improve the economic condition of rural areas by promoting the development (through technological innovation or cooperative development and the adaptation of existing technology) and commercialization of—

(i) new services and products that can be produced or provided in rural areas; and

(ii) new processes that can be utilized in the production of products in rural areas; and

(iii) new enterprises that can add value to on-farm production through processing or marketing.

(C) a description of the activities which such center will carry out to accomplish such objective. Such activities may include—

(i) Programs for technology research, investigations, and basic feasibility studies in any field and discipline for the purpose of generating principles, facts, technical knowledge, new technology, or other information which may be useful to rural industries, cooperatives, agribusinesses, and other persons or entities in rural areas served by such centers in the development and commercialization of new products, processes, or services.

(ii) Programs for the collection, interpretation, and dissemination of existing principles, facts, technical knowledge, new technology, or other information that may be useful to rural industries, cooperatives, agribusinesses, and other persons in rural areas served by the center in the development and commercialization of new products, processes, or services.

(iii) Programs providing training and instruction for individuals residing in rural areas served by the center with respect to the development (through technological innovation, cooperative development and the adaptation of existing technology) and commercialization of new products, processes, and services.

(iv) Programs providing loans and grants to individuals, small businesses, and cooperatives in rural areas served by the center for purposes of generating, evaluating, developing, and commercializing new products, processes or services.

(v) Programs providing technical assistance and advisory services to individuals, small businesses, cooperatives, and industries in rural areas served by the center for purposes of developing and commercializing new products, processes, or services.

(vi) Programs providing research and support to individuals, small businesses, cooperatives, and industries in rural areas served by the center for purposes of developing new agricultural enterprises to add value to on-farm production through processing or marketing.

(D) a description of the contributions which such activities are likely to make to the improvement of the economic conditions of the rural areas for which such center will provide services.

(E) provisions that such center, in carrying out such activities, will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

(F) provisions that such center—

(i) will consult with any college or university administering any program under title V of the Rural Development Act of 1972 in the State in which such center is located; and

(ii) will cooperate with such college or university in the coordination of such activities and such program.

(G) provisions that such center will take all practicable steps to develop continuing sources of financial support for such center, particularly from sources in the private sector.

(H) Provisions for—

(i) monitoring and evaluating such activities by the institution operating such center; and

(ii) accounting for money received by such institution under this section.

(I) provisions that such center will provide for the optimum application of such technology and cooperative development in rural areas, especially those areas adversely impacted by adverse agricultural economic conditions, through the establishment of demonstration projects and subcenters for—

(i) rural technology development where the technology can be implemented by communities, community colleges, businesses, cooperatives and other institutions to improve local economic conditions or;

(ii) cooperative development where such development can be implemented by cooperatives to improve local economic conditions.

Paragraph (3) of the new subsection 310B(f) will require that the rural technology grants made under paragraph (1) be made on a competitive basis, and that in making such grants the Secretary must give preference to grant applications providing for the establishment of centers for rural technology or cooperative development that—

(A) can demonstrate the capability to transfer for practical application in rural areas the technology generated at such centers for rural areas and the ability to commercialize products, processes, or services in such areas;

(B) will effectively serve in rural areas which have—

(i) few rural industries and agribusinesses;

(ii) high levels of unemployment or underemployment;

(iii) high rates of migration of people, businesses, and industries; and

(iv) low levels of per capita income; and

(C) will contribute the most to the improvement of economic conditions of rural areas.

Paragraph (4) of the new subsection 310B(f) will provide that, as used in that subsection:

(A) The term "nonprofit institution" means any organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(B) The term "United States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the

Virgin Islands, Guam, American Samoa, and the other territories and possessions of the United States.

The new subsection (g) of section 310B will provide that, in carrying out subsection (f), the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment or underemployment of persons residing in economically distressed rural areas which the Secretary determines have a substantial need for such assistance. Such assistance will include planning and feasibility studies, management and operational assistance, and studies evaluating the needs for and development potential of projects which increase employment and improve economic growth in such areas.

The new subsection (h) of section 310B will authorize the Secretary to make grants to defray not to exceed 75 percent of the administrative costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under subsection (f). For purposes of determining the non-Federal share of such costs, the Secretary must consider contributions in cash and in kind, fairly evaluated, including but not limited to premises, equipment, and services.

Subsection (b) of section 402 of the bill will authorize to be appropriated to the Secretary not to exceed $50,000,000 each year for fiscal years 1991, 1992, and 1993 to carry out the new subsections (f) and (h).

TITLE V—RURAL BUSINESS AND LEADERSHIP TRAINING

Section 501—Extension service rural business and leadership training program

Subsection (a) of section 501 of the bill will amend section 1 of chapter 79 of the Act of May 8, 1914 (commonly known as the "Smith-Lever Act") to add a new subsection (b) to the existing section 1.

Paragraph (1) of the new subsection (b) will require the Secretary to establish a national program, to be administered by the Federal Extension Service, to provide rural citizens with training, technical and management assistance regarding, and educational opportunities to enhance their knowledge of—

(A) beginning new businesses through entrepreneurship;

(B) the procedures necessary to establish new businesses in rural areas;

(C) self-employment opportunities in rural areas;

(D) the uses of modern telecommunications and computer technologies;

(E) business and financial planning; and

(F) such other training, assistance, and educational opportunities as the Secretary determines are necessary to carry out the program established under this subsection.

Paragraph (2) of the new section 1(b) will require the program established pursuant to subsection (b) to provide assistance designed to increase the leadership abilities of residents in rural areas. Such assistance will include—

(A) information relative to the development of community goals;

(B) instruction regarding the methods by which State or Federal funding for rural development projects might be obtained;

(C) instruction regarding the successful writing of applications for loan or grant funds, from government and private sources;

(D) an updated listing of state, Federal, and other economic development programs available to rural areas; and

(E) such other training, information, and assistance as the Secretary determines necessary to increase the leadership abilities of residents in rural areas.

Paragraph (3) of the new section 1(b) will provide that the extension service in each State, in order to facilitate the program established under subsection (b), should develop, maintain, and provide to each community, and make accessible to any other interested party, a catalog of available state, Federal, or private programs that provide leadership training or other information or services similar or complementary to the training or services required by this subsection. Such catalog should include, at a minimum, the following entities within the State that provide such training or services:

(A) any rural electric cooperative;

(B) any nonprofit community development corporation;

(C) any economic development district that serves a rural community;

(D) any nonprofit subsidiary of any private entity;

(E) any nonprofit organization whose principal purpose is to promote economic development in rural areas;

(F) any investor or publicly owned electric utility;

(G) any small business development center or small business investment company;

(H) any regional development organization;

(I) any vocational or technical school;

(J) any Federal, State or local government agency or department; and

(K) any other entity that the Secretary deems appropriate.

The extension service in each State should be included in the catalog information relative to the specific training or services provided by each entity in the catalog.

Paragraph (4) of the new section 1(b) will require the Secretary to provide training for extension service employees to ensure that such employees understand the availability of rural development programs in their respective States, and the availability of Federal Extension Service staff qualified to provide to rural citizens and to State extension staff training and materials for technical, management, and educational assistance required by subsection (b).

Subsection (b) of section 501 of the bill will require that the Secretary ensure, to the extent practicable, that assistance provided under subsection (a) is coordinated with and delivered in cooperation with similar services or assistance provided by other Federal agencies or programs for rural residents.

In carrying out the duties under section 501 of the bill, the Committee expects the Secretary to recognize the importance of education, health and other services in providing leadership training for rural development. In addition, the Cooperative State Extension

Service will be expected to assist in the development and implementation of Federal and State programs that provide for job retraining, educational opportunities and health programs for rural residents. The Committee views such programs as an integral and vital part of rural economic development.

State extension services will be expected to compile and make available a catalog of available State, Federal and private programs that provide leadership training. It is intended that the extension service must be in a position to provide the necessary training for rural citizens in the event no other source is available.

The Secretary is also expected to review existing memoranda of understanding between the Department, and its agencies, and the Small Business Administration and to make necessary changes in such memoranda so that maximum service can be provided to rural areas.

It is not intended that section 501 of the bill will require the Secretary to establish a new program in competition with other agencies. Rather, it is expected that the Secretary will cooperate fully with other agencies to be sure the services specified in section 501 are available to residents in rural areas.

The Committee takes particular note of the challenges facing rural businesses in obtaining and effectively using borrowed capital. In many respects, however, these challenges appear to parallel those faced by many farm businesses: sources of credit to farm and rural businesses are substantially the same; increasingly, farm and rural businesses are called upon to implement the same higher levels of capabilities in the financial management of their affairs. At the same time, the Committee recognizes that capital availability and its effective utilization in rural businesses, both farm and non-farm, are essential to rural economic vitality in our Nation.

Accordingly, the Committee believes that farm and rural business owners, their credit providers and their communities would profit from ongoing research and information programs targeted exclusively at the financing of farm and rural businesses. Such research would complement this bill by providing a vital and ongoing research and information base upon which the agencies and institutions provided for in the bill, as well as those already in place, could more effectively build and deliver their respective programs.

TITLE VI—RURAL ECONOMIC DEVELOPMENT RESEARCH

Section 601—Research on nontraditional uses of agricultural commodities

Section 601 will require the Secretary to establish a program of competitive grants, to be administered in conjunction with the agricultural productivity research activities required under subtitle C of title XIV of the Food Security Act of 1985 (7 U.S.C. 4701 et seq.), for the purpose of conducting research on non-food, non-feed uses of agricultural commodities. Section 601 will also require the Secretary to give priority in the awarding of grants under section 601 to research projects that the Secretary determines have the potential for developing new products from or processes for agricultural commodities that may be commercially implemented by small businesses.

Section 602—Authorization of rural development research competitive grants

Section 602 of the bill will require the Secretary to establish a program of competitive grants, for the purpose of encouraging research and analysis of the social, economic, and other factors influencing the economic vitality of rural areas. Section 602 will also require that priority in the award of such grants be given to projects designed to research methods by which the social and economic vitality of rural areas can be enhanced.

Section 603—Demonstration projects

Section 603 of the bill will require the Secretary to establish a program of competitive grants to rural areas to serve as demonstration areas, and require the Secretary, in the awarding of such grants, to favorably consider a request for funds from a rural area that the Secretary determines—

(1) demonstrates the ability to supplement the grant funds provided under this section with additional funds from State, local, or private sources;

(2) demonstrates the ability to use the grant funds to increase employment in the area; and

(3) can successfully serve as a demonstration area to share the results of the project to the benefit of other rural areas in the region.

TITLE VII—RURAL ELECTRIFICATION PROVISIONS

Section 701—Short title; amendment of Rural Electrification Act of 1936

Subsection (a) of section 701 provides that title VII of the bill may be cited as the "Rural Telecommunications Improvements Act of 1990".

Subsection (b) of section 701 provides that, except as otherwise expressly provided, whenever in title VII of the bill an amendment is expressed in terms of an amendment to a section or other provision, the reference will be considered to be made to a section or other provision of the Rural Electrification Act of 1936 (the "1936 Act").

Section 702—Findings; statement of policy

Subsection (a) of section 702 will provide congressional findings that—

(1) making modern telecommunications technology and services available in rural areas in the United States promotes economic development and improves the quality of life in rural areas; and

(2) the efficient operation of the Rural Telephone Bank and the Rural Electrification Administration (REA) telephone loan programs is essential to the continued development of the telecommunications infrastructure in rural areas in the United States.

Subsection (b) of section 702 will provide that it is the policy of the Congress that the Rural Telephone Bank and the Rural Electrification Administration make loans that facilitate the development and enhancement of the rural telecommunications infrastructure in order to make modern telecommunications technology and services available at reasonable rates to the greatest practicable number of people in rural areas in the United States.

Section 702 is intended to reaffirm Congress' commitment to the Rural Telephone Program, its efficient operation and the importance of making modern telecommunications technology and services available at reasonable rates to the widest practicable number of people in rural areas, and should be administered accordingly by the agency.

Subtitle A—Amendment to Title I of the Rural Electrification Act of 1936

Section 711—General prohibitions

Section 711 of the bill will amend title I of the 1936 Act by adding a new section 18 prohibiting the Administrator of the REA and the Governor of the telephone bank from—

- (1) denying or reducing any loan or loan advance under the Act based on a borrower's level of general funds; or
- (2) making any loan or grant, or providing any guarantee, under the Act to any telephone loan borrower (or any subsidiary or affiliate of such a borrower) for electric service to others, or any electric loan borrower (or any subsidiary or affiliate of such a borrower) for telephone service to others (except that this prohibition will not apply to loans, grants, or guarantees for telephone service between the borrower and others) unless—
  - (A) the borrower has obtained a certificate of convenience and necessity from, or otherwise obtained the consent of, the State regulatory authority with jurisdiction over the provision of such service; and
  - (B) the Administrator or the Governor, as the case may be, has determined (and set forth the reasons therefor in writing) that such loan or grant will not be used to duplicate any lines, facilities, or systems.

The new section 18(1) simply codifies prohibitory language in the authorizing statute that has been contained in appropriations acts for a number of years. It prohibits the Administrator and Governor of the Telephone Bank from denying loans or loan advances based on an electric or telephone borrower's level of general funds.

The new section 18(2) is intended to prohibit telephone borrowers from obtaining loans or grants under the Act to provide duplicative electric services to others and, likewise, to prohibit electric borrowers from obtaining loans or grants under the Act to provide duplicative telephone service to others. This provision is not intended to disrupt current or future joint ownership or management arrangements between or among electric or telephone systems or both.

Subtitle B—Amendments Relating to Title II of the 1936 Act

Section 721—Nonduplication of telephone facilities

Subsection (a) of section 721 will amend section 201 of the Act to clarify that—(1) neither the Administrator nor the Governor of the telephone bank may make or guarantee a loan, or make a grant, for telephone purposes under the 1936 Act if the loan, guarantee, or grant would result in the duplication of lines, facilities, or systems that provide reasonably adequate service, and (2) for purposes of the Rural Electrification Act of 1936, the term "duplication" does not include upgrading.

Subsection (b) of section 721 will make a conforming amendment to section 408(b)(5) of the 1936 Act.

Currently, the last sentence of section 201 of the 1936 Act assumes that if a telephone borrower has a certificate of convenience and necessity from the state regulatory authority having jurisdiction there would be no duplication of facilities. Today, this is not always the case in every state or territory. Therefore, section 721 of the bill replaces this outdated language with a general standard clarifying that REA funds are not intended for duplicative facilities. The amended language also eliminates the requirement in current law that the Administrator and Governor of the Telephone Bank make written findings of non-duplication.

Section 722—Updated definition of telephone service

Section 722 of the bill will amend the definition of telephone service in section 203(a) of the 1936 Act to include any communication service for the transmission or reception of voice, data, sounds, signals, pictures, writing, or signs of all kinds by wire, fiber, radio, light, or other visual or electromagnetic means.

Section 722 is intended to clarify and update the definition of "telephone service" in the 1936 Act to include modern technologies such as fiber optics, basic exchange telecommunications radio service and other modern telecommunications technologies. The definition is also intended to clarify that loans are available to rural telephone systems to provide two-way, interactive video to rural educational systems, and provide data transmission capabilities and other up-to-date information services to rural businesses, hospitals and other rural users.

Section 723—Loan feasibility

Section 723 will amend Title II of the 1936 Act by adding at the end a new section 204 which will prohibit the Administrator and the Governor of the telephone bank from, as a condition of making a telephone loan to an applicant therefor, requiring the applicant to—

(1) increase the rates charged to the applicant's customers or subscribers; or

(2) increase the applicant's ratio of—

(A) net income or margins before interest; to

(B) the interest requirements on all of the applicant's outstanding and proposed loans.

Section 723 is intended to clarify that the Administrator and the Governor of the Telephone Bank cannot require the borrower to seek or obtain a rate increase as a condition for a loan, including an insured loan between 2 and 5 percent, or for obtaining advances under an approved loan. However, nothing in the section will prevent the Administrator or Governor of the Telephone Bank from informing the borrower that a rate increase may be necessary for the loan to be feasible at the minimum rate provided in the Act. Borrowers, of course, may always seek a rate increase from the appropriate regulatory authority if they cannot qualify for a minimum rate loan. The Committee also intends that in evaluating feasibility for a telephone loan that REA use only the current subscriber rates in effect for such borrower. The committee deplores the current agency practice of assuming higher than actual subscriber rates in evaluating loan feasibility since this may result in loans being approved that do not meet the 100% TIER ("times interest earned ratio") for the insured program or the 150% TIER for Telephone Bank loans. The application of this provision is limited solely to the telephone loan programs and is not intended to affect the current operation of the electric loan programs in any way and must not be considered a precedent in the electric program or as having any effect on the rights of any party to any pending litigation involving the electric program.

Section 724—Encouragement of investment by telephone borrowers in rural development projects

Section 724 will amend Title II of the 1936 Act by adding at the end a new section 205.

Subsection (a) of the new section 205 will prohibit the Administrator and the Governor of the telephone bank from—

(1) treating any amount invested by any qualified telephone borrower for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee, or advance made to, an affiliated company of the borrower, which is used by such company for such a purpose) as a dividend or distribution of capital, to the extent that, immediately after such investment, the aggregate of such investments does not exceed ⅓ of the net worth of the borrower; or

(2) requiring that a qualified telephone borrower obtain the approval of the Administrator in order to make an investment described in paragraph (1).

Subsection (b) of the new section 205 will define, for the purposes of subsection (a), the term "qualified telephone borrower" to mean a person—

(1) to whom a telephone loan has been made or guaranteed under the 1936 Act; and

(2) whose net worth is at least 20 percent of the total assets of such person.

Current REA telephone and Rural Telephone Bank mortgage restrictions limit investments that a borrower may make with its own financial resources. The new section 205 of the Act added by section 724 of the bill is intended to encourage borrowers to invest their own resources in the development of their local rural areas without regard to these restrictions while at the same time protecting the government's legitimate loan security interests by limiting the amount of such investments in relation to the borrower's net worth.

Section 725—Improvements in telephone program

Section 725 will amend Title II of the 1936 Act by adding at the end a new section 206.

Subsection (a) of the new section 206 will impose a number of new requirements on the Administrator of the Rural Electrification Administration and the Governor of the telephone bank.

Paragraph (1) of the new section 206(a) will require the Administrator and the Governor of the telephone bank, notwithstanding section 553(a)(2) of title 5, United States Code, to cause to be published in the Federal Register, in accordance with section 553 of such title, all rules, regulations, bulletins, and other written policy standards governing the operations of the telephone loan and loan guarantee programs administered under this Act.

Section 206(a)(1) imposes an affirmative requirement on the Administrator and the Governor of the Telephone Bank to expeditiously clarify, simplify and codify existing policies governing the operations of the telephone program. It is not intended that REA or the Rural Telephone Bank use this requirement as a device to impose new or additional restrictions or burdens on borrowers. Contrariwise, REA and the Rural Telephone Bank are encouraged to review all current regulations and procedures implementing the telephone programs under this Act and eliminate any unnecessary restrictions or burdens on borrowers and loan applicants.

The Rural Electrification Administration and the Rural Telephone Bank are reminded that they are lending, not regulatory, agencies and that they should administer the telephone loan programs accordingly. Nothing in this section is intended to modify or rescind the application of the memorandum promulgated by the Department of Agriculture on July 24, 1971 at 36 F.R. 13804, making the procedural requirements of section 4 of the Administrative Procedures Act applicable to all of its rule-making relating to "public property, loans, grants, benefits, or contracts".

Paragraph (2) of the new section 206(a) will require the Administrator and the Governor of the telephone bank, in evaluating the feasibility of a telephone loan to be made to a borrower for telephone services, to use the depreciation rates used to compile the most recent report of the borrower's operations filed by the borrower with the Rural Electrification Administration, or, in the absence of such a report, the rates used by the borrower to calculate depreciation expenses in the most recent return of Federal income taxes (including information returns) filed by the borrower with the Internal Revenue Service.

It is the intent of the Committee that the Rural Electrification Administration and the Rural Telephone Bank will compile actual borrower depreciation rates and publish such rates annually in the Federal Register.

Paragraph (3) of the new section 206(a) will require the Administrator and the Governor of the telephone bank to make loans for all purposes for which loans are authorized under section 201 or 408 of the 1936 Act, to the extent of qualifying applications therefor.

The Committee believes that the Rural Electrification Administration and the Rural Telephone Bank currently have a responsibility under the Act to make telephone loans for all authorized purposes and that the regulation recently adopted by the Rural Electrification Administration seeking to limit authorized telephone loan purposes is not justified under the Act, particularly if it results in the Administrator or the Governor of the Telephone Bank not meeting the minimum loan levels for the telephone program set annually by the Congress. The new section 206 of the 1936 Act is intended to reaffirm that responsibility.

Subsection (b)(1) of the new section 206 will prohibit the Administrator and the Governor of the telephone bank from rescinding an insured telephone loan, or a Rural Telephone Bank loan, made under this Act without the consent of the borrower.

This prohibition is intended to eliminate the practice by the Rural Electrification Administration and the Rural Telephone Bank of conditioning the approval of a new loan upon the rescission of a prior loan or loans before completion of the purposes of all such prior loans.

Subsection (b)(2) of the new section 206 will prohibit the Administrator and the Governor of the telephone bank from regulating the order or sequence of advances of funds under telephone loans made under this Act to any borrower who has received any combination of telephone loans from the Rural Electrification Administration, the Rural Telephone Bank, or the Federal Financing Bank. Subsection (b)(2) is intended to make permanent similar prohibitory language that was included in the Rural Development, Agriculture, and Related Agencies Appropriations Acts for fiscal years 1989 and 1990.

Subsection (b)(3) of the new section 206 will prohibit the Administrator and the Governor of the telephone bank from denying a loan or advance to, or taking any other adverse action against, an applicant for, or a borrower of, a telephone loan under this Act for any reason which is not based on a rule, regulation, bulletin, or other written policy standard which has not been published pursuant to section 553 of title 5, United States Code.

Section 726—Prompt processing of telephone loans

Section 726 of the bill will amend Title II of the 1936 Act by adding at the end a new section 207 to require that the Administrator, within 10 days after the end of the second and fourth quarters of each year, submit to the Committee on Agriculture and the Committee on Appropriations of the House of Representatives, and to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Appropriations of the Senate, a report—

(1) identifying each completed application for a telephone loan under section 305 of the 1936 Act, a guarantee of a telephone loan under section 306 of the 1936 Act, or a loan under section 408 of the 1936 Act, which has not been finally acted upon within 90 days after the date the completed application is submitted; and

(2) stating the reasons for the failure to finally act upon the completed applications within such 90-day period.

Subtitle C—Amendments Relating to Title III of the 1936 Act

Section 731—Creation of separate electric and telephone accounts within rural electric and telephone revolving fund

Section 731 of the bill will add a new subsection (c) to section 302 of the 1936 Act.

Paragraph (1) of the new section 302(c) will require the Administrator to maintain 2 separate accounts within the rural electrification and telephone revolving fund, to be known as the electric account and the telephone account, respectively.

Paragraph (2) of the new section 302(c) will require the Administrator to—

(A) account for the assets, liabilities, income, expenses, and equity of the fund attributable to operations of the electric loan program, in the electric account; and

(B) account for the assets, liabilities, income, expenses, and equity of the fund attributable to operations of the telephone loan program, in the telephone account.

Paragraph (3) of the new section 302(c) will require that—

(A) the assets accounted for in the electric account be available solely for the operation of the electric loan program; and

(B) the assets accounted for in the telephone account be available solely for the operation of the telephone loan programs under the Act (other than under title IV of the Act).

The amendment made by section 731 is intended to codify current Rural Electrification Administration practice by separating electric and telephone assets, liabilities, income and expenses in the Rural Electric and Telephone Revolving Fund into respective subaccounts, making each program accountable for its own performance.

Section 732—Borrowers to determine amortization period for insured telephone loans

Section 732 will amend section 309 of the 1936 Act by adding at the end a new subsection (b) to require that the term of any telephone loan made under title III of the Rural Electrification Act of 1936 is to be determined by the borrower at the time the loan is made.

Sections 732 and 745 of the bill permit Rural Electrification Administration and Rural Telephone Bank borrowers to determine the term of a loan so long as the term does not exceed 35 years. The Rural Electrification Administration and the Rural Telephone Bank have recently sought by regulation to reduce sharply the amortization term authorized under the Act for telephone loans without Congressional authority. These two sections of the bill are intended to supersede this regulation.

Section 733—TIER requirement for insured telephone loans

Section 733 will add a new subsection (d) to section 305 of the Act to provide that the Administrator must make a telephone loan under this title to an applicant who is otherwise qualified to receive such a loan, at the highest interest rate (not less than the lowest interest rate, nor higher than the highest interest rate, specified in section 305(b)) at which the borrower, would be capable of producing net income or margins before interest payments of at least 100 percent (but not more than 150 percent) of the interest requirements on all of the applicant's outstanding and proposed loans.

Section 733 of the bill is intended (1) to codify the long-standing Rural Electrification Administration practice of using a minimum times interest earned ratio (TIER) requirement of 100% to establish the feasibility of an insured telephone loan, and (2) to override a recent Rural Electrification Administration regulation that sought, without Congressional authority, to increase such TIER requirement to 125%.

Section 734—Clarification of telephone loan guarantee authority

Section 734 will amend section 306 of the Act to prohibit the Administrator from providing assistance, in the form of a loan guarantee, accommodation, or subordination, to any borrower of a telephone loan under the Act unless the borrower specifically applies for such assistance.

Nothing in section 734 is intended to prevent the Administrator or Governor of the Telephone Bank from informing borrowers that assistance in the form of guaranteed loans is an option available to borrowers under the Act.

As introduced, the original section 734 of H.R. 3581 required the full use of Rural Electrification Administration insured loan authority. This section was deleted during the subcommittee consideration of the bill due to budgetary constraints. However, the subcommittee action should not be construed to alter or limit the long-established carryover authority presently contained in section 3(e) of the 1936 Act.

Subtitle D—Amendments Relating to Title IV of the 1936 Act

Section 741—Modification of Rural Telephone Bank Board

Subsection (a) of section 741 will amend section 405 of the 1936 Act by replacing the existing subsections (a) through (f), governing the operation of the telephone bank board, with new material.

The new subsection (a) of section 405 will vest the management of the telephone bank, within the limitations prescribed by law, in a board of directors (referred to as the Telephone Bank Board).

The new subsection (b) of section 405 will require that the Telephone Bank Board consist of 13 individuals, as follows:

(1) The President must appoint 7 individuals to serve on the Telephone Bank Board who will serve at the pleasure of the President, of whom—

(A) 5 will be officers or employees of the Department of Agriculture and not officers or employees of the Rural Electrification Administration; and

(B) 2 of whom will be from the general public and not officers or employees of the Federal Government.

(2) The cooperative-type entities, and organizations controlled by such entities, which hold class B or class C stock in the Rural Telephone Bank will elect 3 individuals to serve on the Telephone Bank Board for a term of 2 years, by a plurality vote of the stockholders voting in the election.

(3) The commercial-type entities, and the organizations controlled by such entities, which hold class B or class C stock will elect 3 individuals to serve on the Telephone Bank Board for a term of 2 years, by a plurality vote of the stockholders voting in the election.

The new subsection (c) of section 405 will provide that:

(1) An election under paragraph (2) or (3) of subsection (b) will not be considered valid unless a majority of the stockholders eligible to vote in the election have voted in the election.

(2) Balloting in an election under paragraph (2) or (3) of subsection (b) must be conducted by mail pursuant to the procedures authorized in the bylaws of the telephone bank.

(3) Cumulative voting will be prohibited in any election under paragraph (2) or (3) of subsection (b).

The new subsection (d) of section 405 will provide that:

(1) Except as provided in subsection (d)(2), each member of the Telephone Bank Board must receive $100 per day for each day or part thereof, not to exceed 50 days per year, spent in the performance of their official duties, and must be reimbursed for travel and other expenses in such manner and subject to such limitations as the Telephone Bank Board may prescribe.

(2) The 5 members of the Telephone Bank Board who are officers or employees of the Department of Agriculture appointed under subsection (b)(1)(A) must not receive compensation by reason of their service on the Telephone Bank Board.

The new subsection (e) of section 405 will provide that a member of the Telephone Bank Board may serve after the expiration of the term of office of such member until the successor for such member has taken office.

The new subsection (f) of section 405 will require that the members of the Telephone Bank Board elect 1 of such members to be the Chairperson of the Board, in accordance with the bylaws of the telephone bank. The Chairperson will preside at all meetings of the Board and may vote on a matter before the Board unless the vote of the Chairperson would result in a tie vote on such matter.

Subsection (b) of section 741 will amend section 405 of the Act by adding at the end thereof a subsection (j) to require that the Telephone Bank Board be treated as an agency within the meaning of section 552b(a)(1) of title 5, United States Code. This amendment is intended to bring the Telephone Bank Board under the "open meeting" provision of the "Government in the Sunshine Act," requiring that all meetings of the board be open to the public unless exempt under that Act, such as those portions of meetings involving discussions of matters proprietary to an individual borrower or applicant.

Section 742—Rural Telephone Bank capitalization

Section 742 will amend section 406(a) of the 1936 Act to strike the fiscal year 1991 expiration on the Federal Government's furnishing of capital for the purchase of class A stock in the telephone bank.

Section 743—Pro rata purchase of Rural Telephone Bank stock by Rural Telephone Bank borrowers

Section 743 will amend section 406(d) of the 1936 Act to clarify that the required purchase of Class B stock by Rural Telephone Bank borrowers should be proportional, in an amount equal to 5 percent of the amount of each loan advance, at the time of such advance.

Section 743 is not intended to alter the current Rural Telephone Bank practice of allowing borrowers to finance the purchase of Class B stock through the Rural Telephone Bank as a part of the loan. It is intended to alter the current Rural Telephone Bank practice of requiring the borrower to purchase all of the Class B stock at the time of the first advance.

Section 744—Clarification of authority to set Rural Telephone Bank loan levels

Section 744 of the bill will amend section 408(a) of the 1936 Act to make mandatory, rather than discretionary as in current law, the Governor of the telephone bank's obligation to make loans on behalf of the telephone bank, to the extent that there are qualifying applications therefor, subject only to limitations as to amounts authorized for loans and advances as may be imposed by Congress for loans to be made in any one year.

Section 744 of the bill is intended to codify in the Act the current practice of setting annual loan levels for the Rural Telephone Bank. The phrase "which amounts shall remain available until expended" is not contained in the amendment and is considered surplusage in view of the language already contained in section 3(e) of the Act, which provides for the carryover to subsequent fiscal years of all unobligated sums made available for the purposes of the Act, that applies not only to direct, insured lending but also to Rural Telephone Bank loans and loan guarantees under section 306 of the 1936 Act.

Section 745—Borrowers to determine amortization period for Rural Telephone Bank loans

Section 745 will add a new subsection (d) to section 408 of the Act to require in paragraph (1) that, except as provided in paragraph (2), the term of any loan made under title IV of the Rural Electrification Act of 1936 will be determined by the borrower at the time the loan is made, and, in paragraph (2) that the term of any loan made under title IV cannot exceed the maximum term for which a loan may be made under section 4 of the 1936 Act.

Section 746—Full use of Rural Telephone Bank loan authority

Section 746 will strike the existing section 412 of the 1936 Act regarding borrower net worth and replace it with an amended section 412 regarding the full use of the telephone bank's loan authority.[3]

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[3] The current section 412 provides that: "Except as provided in subsection (b)(2) of section 408, notwithstanding any other provision of law, a loan shall not be made under section 201 to any borrower which during the immediately preceding year had a net worth in excess of 20 per

Continued

Subsection (a) of the amended section 412 will provide—

(1) in paragraph (1) that if an appropriations Act authorizes the telephone bank to make loans in a fiscal year and such Act requires that, within available resources and available authority, gross obligations for the principal amount of such loans be not less than a specified amount and not more than a different specified amount, the Governor of the telephone bank must obligate for such loans for such fiscal year, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions which may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds available to the Governor to the extent such unobligated funds do not exceed the greater of such specified amounts.

(2) in paragraph (2) that, notwithstanding paragraph (1), until all unobligated funds available to the Governor of the telephone bank for any fiscal year before fiscal year 1990 have been expended, the Governor must obligate for loans under title IV, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions which may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds available to the Governor.

Subsection (b) of the amended section 412 will provide that no subsequent statute may be held to supersede or modify section 412, except to the extent that such statute does so expressly.

The new section 412 is intended to give the Administrator more flexibility to meet statutorily mandated loan levels in the telephone loan programs.

Section 747—Technical amendments relating to the Rural Telephone Bank provisions of the Omnibus Budget Reconciliation Act of 1987

Subsection (a)(1) of section 747 will amend section 406(h) of the 1936 Act to prohibit the transfer of amounts, previously transferred from the reserve for contingencies to the reserve for losses due to interest rate fluctuations, directly or indirectly, back to the reserve for contingencies.

Subsection (a)(2) of section 747 will make a technical amendment to section 406(h) of the 1936 Act.

Subsection (b) of section 747 will make amendments to section 408(b)(3) of the 1936 Act regarding the calculation of interest rates on rural telephone bank loans.

Subtitle E—Effective Date

Section 751—Effective date

Subsection (a) of section 751 will provide that, except as provided in subsection (b), title VII of the bill and the amendments made by title VII will take effect on the date of the enactment of title VII.

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centum of its assets unless the Administrator finds that the borrower cannot obtain such a loan from the telephone bank or from other reliable sources at reasonable rates of interest and terms and conditions."

Subsection (b) of section 751 will provide that the amendments made by section 747 of the bill will take effect as if such amendments had been included in chapter 2 of subtitle D of title I of the Omnibus Budget Reconciliation Act of 1987 on the date of enactment of such chapter.

TITLE VIII—MISCELLANEOUS

Section 801—Regulations

Section 801 will require the Secretary, except as otherwise provided in the bill, to promulgate regulations that are necessary to carry out the bill no later than 180 days after the enactment of the bill.

Section 802—Loan rates applicable to certain loans under the Consolidated Farm and Rural Development Act

Section 802 will amend section 307(a)(3) of the Consolidated Farm and Rural Development Act by adding a new subparagraph (C).

New subparagraph 307(a)(3)(C) will require the Secretary, notwithstanding the provisions of section 307(a)(3)(A),[4] to establish loan rates for health care and related facilities based solely on the income of the area to be served. The loan rates must otherwise be consistent with the provisions of section 307(a)(3)(A).

Section 803—Assistance for certain distressed community facility program borrowers

Section 803 will require the Secretary of Agriculture to establish and implement a program that is similar to the program established under section 353 of the Consolidated Farm and Rural Development Act,[5] except that the debt restructuring and loan servicing procedures will apply to delinquent community facility program loans (rather than delinquent farmer program loans) made by the Farmers Home Administration to a hospital or health care facility under section 306(a) of the Consolidated Farm and Rural Development Act. The Secretary must promulgate regulations, not later than 120 days after the date of enactment of the bill, as modeled after those promulgated under section 353, to implement the program established under section 803.

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[4] Section 307(a)(3)(A) provides that:

"(3)(A) Except as provided in paragraph (6), the interest rates on loans (other than guaranteed loans), to public bodies or nonprofit associations (including Indian tribes on Federal and State Reservations and other federally recognized Indian tribal groups) for water and waste disposal facilities and essential community facilities shall be set by the Secretary at rates not to exceed the current market yield for outstanding municipal obligations with remaining periods to maturity comparable to the average maturity for such loans, and adjust to the nearest one-eighth of 1 per centum; and not in excess of 5 per centum per annum for any such loans which are for the upgrading of existing facilities or construction of new facilities as required to meet applicable health or sanitary standards in areas where the median family income of the persons to be served by such facility is below the poverty line prescribed by the Office of Management and Budget as adjusted under section 624 of the Economic Opportunity Act of 1964 and in other areas as the Secretary may designate where a significant percentage of the persons to be served by such facilities are of low income, as determined by the Secretary; and not in excess of 7 per centum per annum on loans for such facilities that do not qualify for the 5 per centum per annum interest rate but are located in areas where the median household income of the persons to be served by the facility does not exceed 100 per centum of the statewide nonmetropolitan median household income."

[5] Section 353 of the Act generally provides the following:

"The Secretary shall modify delinquent farmer program loans made or insured under this title, or purchased from the lender or the Federal Deposit Insurance Corporation under section 309B, to the maximum extent possible—

(1) to avoid losses to the Secretary on such loans, with priority consideration being placed on writing-down the loan principal and interest (subject to subsections (d) and (e)), and the debt set-aside (subject to subsection (e)), whenever these procedures would facilitate keeping the borrower on the farm or ranch, or otherwise through the use of primary loan service programs as provided in this section; and

(2) to ensure that borrowers are able to continue farming or ranching operations."

Section 804—Water and waste facility loans and grants to alleviate health risks

Section 804 will amend the Consolidated Farm and Rural Development Act by adding a new section 306B.

Subsection (a)(1) of new section 306B will require the Secretary to make or insure loans and make grants to rural water supply corporations, cooperatives, or similar entities, Indian tribes on Federal and State reservations and other Federally recognized Indian tribes, and public agencies, to provide for—

(1) the conservation, development, use, and control of water (including the extension or improvement of existing water supply systems), and

(2) the installation or improvement of drainage or waste disposal facilities and essential community facilities including necessary related equipment.

These loans and grants will be available only to provide water and waste facilities and services to communities whose residents face significant health risks, as determined by the Secretary, due to the fact that a significant proportion of the community's residents do not have access to, or are not served by, adequate affordable:

(1) water supply systems; or

(2) waste disposal facilities.

Subsection (a)(2) of new section 306B will provide that loans made or insured or grants made under section 306B may be made only if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a county in which—

(1) the per capita income of the residents of the county is less than or equal to 70 percent of the national average per capita income, as determined by the Department of Commerce; and

(2) the unemployment rate of the residents of the county is greater than or equal to 125 percent of the national average unemployment rate, as determined by the Bureau of Labor Statistics.

Subsection (b)(1) of new section 306B will require the Secretary to make or insure loans and make grants to individuals who reside in a community described in new section 306B(a)(1) for the purpose of extending water supply and waste disposal systems or connecting such systems to the residences of such individuals. The loans will be at a rate of interest no greater than the current Federal Financing Bank rate on loans of a similar term at the time such loans are made. The repayment of the loans will be amortized over the expected life of the water supply or waste disposal system to which the residence of the borrower will be connected.

Subsection (b)(2) will require that the loans and grants to individuals authorized under new section 306B(b)(1) must be made:

(1) directly to the individuals by the Secretary; or

(2) to the individuals through the rural water supply corporation, cooperative, or similar entity, Indian tribe, or public agency, providing such water supply or waste disposal services, pursuant to regulations issued by the Secretary.

Subsection (c) of the new section 306B will require the Secretary to give preference in the awarding of loans and grants to—

(1) rural water supply corporations, cooperatives, or similar entities, or public agencies, as provided under new section 306B(a), proposing to provide water supply or waste disposal services to the residents of those rural subdivisions commonly referred to as colonias, which are characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities; and

(2) individuals, as provided under new section 306B(b), who reside in a rural subdivision commonly referred to as a colonia, which is characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities.

Subsection (d) of new section 306B will define the term "cooperative", for the purposes of new section 306B, to mean a cooperative formed specifically for the purpose of the installation, expansion, improvement or operation of water supply or waste disposal facilities or systems.

Subsection (e) of new section 306B will provide that there are authorized to be appropriated funds to carry out the purposes of new section 306B as follows:

(1) for grants as provided under section 306B, $30,000,000 per fiscal year; and

(2) for loans as provided by this section, $30,000,000 per fiscal year.

Although under the program established under section 306B, a preference is required to be given to those rural subdivisions commonly referred to as colonias, the program is available for any other area of the nation that meets the requirements of section 306B. This program is not subject to the panel review, rank-ordering, and other requirements of section 201 of the bill.

Section 805—Preservation of eligibility

Section 805 will provide that, notwithstanding any other provision of law, nothing in the bill may be construed to adversely affect the eligibility, as it existed on the date of enactment of the Rural Economic Development Act of 1990, of cooperatives and other entities for any other credit assistance under Federal law.

Section 806—State programs not affected

Section 806 will provide that nothing in the bill may be interpreted to preclude States from creating and maintaining rural development programs other than those authorized in the bill.

Section 807—Technical corrections

Section 807 of the bill will make a number of technical corrections to the Consolidated Farm and Rural Development Act, including the correction of section designations and misspellings.

TITLE IX—NATIONAL FOREST-DEPENDENT RURAL COMMUNITIES

Section 901—Short title

Section 901 will provide that title IX of the bill may be cited as the "National Forest-Dependent Rural Communities Economic Diversification Act of 1990".

Section 902—Findings and purpose

Section 902(a) of the bill contains various findings of Congress relating to the economic dependence of many communities on goods and services derived from National Forests and the expertise of the Forest Service in assisting these communities to upgrade existing industry and diversify to non-forest related industries.

Section 902(b) of the bill lists the purposes of title IX, including—

> (1) to provide assistance to rural communities that are located in or near national forests and that are economically dependent upon forest resources or are likely to be economically disadvantaged by Federal land management practices;
>
> (2) to aid in diversifying such communities' economic bases and;
>
> (3) to improve the economic, social, and environmental wellbeing of rural America.

Section 903—Definitions

Section 903 defines the terms "action team", "economically disadvantaged", "rural community", and "Secretary" for the purposes of title IX of the bill.

Section 904—Rural forestry and economic diversification action teams

Section 904(a) will provide that economically disadvantaged rural communities may request assistance from the Secretary of Agriculture in identifying opportunities that will promote economic improvement and diversification.

Section 904(b) will authorize the Secretary, upon the request of a rural community, to establish rural forestry and economic diversification action teams to prepare an action plan to provide technical assistance to economically disadvantaged communities. The action plan will identify opportunities to promote economic diversification and enhance local economies dependent upon national forest resources. The action team may also identify opportunities to utilize value-added products and services derived from national forest resources.

Section 904(c) will require the Secretary to design and organize any action team established pursuant to subsection (b) to meet the unique needs of the requesting rural community. Each action team will be directed by an employee of the Forest Service and may include personnel from other agencies within the Department of Agriculture, from other Federal and State departments and agencies, and from the private sector.

Section 904(d) will authorize the Secretary, in preparing action plans, to cooperate with State and local governments, universities, private companies, individuals and non-profit organizations for the procurement of services determined necessary or desirable.

Section 904(e) will require the Secretary to ensure that no substantially similar geographical or defined local area in a State receives both a grant for technical assistance to an economically disadvantaged community under this title and a grant for assistance under a designated rural development program as provided in title II during any continuous five year period.

Section 904(f) will require the Secretary, after reviewing requests under this section for financial and economic feasibility and viability, to approve and implement, in accordance with section 905, those action plans that will achieve the purposes of title IX.

Section 905—Action plan implementation

Section 905(a) will require that action plans be implemented, insofar as practicable, to upgrade existing industries to use forest resources more efficiently and to expand the economic base of rural communities so as to alleviate or reduce the communities' dependence on national forest resources.

Section 905(b) will authorize the Secretary, in order to implement action plans, to make grants and enter into cooperative agreements and contracts to provide necessary technical and related assistance. Such grants, cooperative agreements and contracts may be with the affected rural community, State and local governments, universities, corporations and other persons.

Section 905(c) will require that the Federal contribution to the overall implementation of an action plan must not exceed 80 percent of the total cost, including administrative and other costs. The Secretary must attribute the fair market value of equipment, personnel and services provided in calculating the Federal contribution.

Section 905(d) will authorize the Secretary to utilize the Secretary's existing authorities under the Cooperative Forestry Assistance Act of 1978 and other authorities in implementing action plans.

Section 906—Training and education

Section 906(a) will authorize the Secretary, in furtherance of an action plan, to utilize the Extension Service of the Department of Agriculture to develop and conduct education programs that assist businesses, elected or appointed officials, and individuals in rural communities to deal with the effects of a transition from being economically disadvantaged toward becoming economically diversified. These programs may include—

(1) community economic analysis and strategic planning;

(2) methods for improving and retooling existing enterprises dependent on national forest resources;

(3) methods for expanding existing enterprises and creating new economic opportunities by emphasizing economic opportunities in other industries or services not dependent on national forest resources; and

(4) assistance in the evaluation, counseling, and enhancement of vocational skills, training in basic and remedial literacy skills, assistance in job seeking skills, and training in starting or operating a business enterprise.

Section 906(b) will require the Secretary, insofar as practicable, to utilize existing Federal, State and private education resources in carrying out these programs.

Section 907—Loans to economically disadvantaged rural communities

Section 907(a) will authorize the Secretary, under such terms and conditions as the Secretary may establish, to make loans to economically disadvantaged rural communities for the purposes of securing technical assistance and services to aid in the development and implementation of action plans, including planning for—

(1) improving existing facilities in the community that may generate employment or revenue;

(2) expanding existing infrastructure, facilities and services to capitalize on opportunities to diversify economies now dependent on national forest resources; and

(3) supporting the development of new industries or commercial ventures unrelated to national forest resources.

Section 907(b) will require that the interest rates on a loan made pursuant to this section will be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the maturity of such loan, plus not to exceed 1 percent, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 percent.

Section 908—Authorization of appropriations and spending authority

Section 908(a) will provide that, except as provided in section 908(b), there is authorized to be appropriated—

(1) an amount up to 5 percent of the sums received by the Secretary from sales of timber and other products of the forests, and of user fees paid in connection with the use of forest lands; and

(2) such additional sums as may be necessary, to carry out the provisions of this title.

Section 908(b) will provide that section 908(a) must not in any way affect payments to the States pursuant to chapter 192 of the Act of May 23, 1908 (16 U.S.C. 500).

Section 908(c) will provide that any spending authority (as defined in section 401 of the Congressional Budget Act of 1974) provided in this title must be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

COMMITTEE CONSIDERATION

I. HEARINGS

The Subcommittee on Conservation, Credit, and Rural Development conducted fourteen public hearings during 1989 on the issue of rural development. The Subcommittee held four hearings in Washington, D.C. during June of 1989. The Subcommittee held six field hearings in Mississippi, Texas, Iowa, Idaho, West Virginia and New York during August and September of 1989. At these hearings, 206 witnesses presented oral testimony to members of the

Subcommittee and an additional 34 witnesses submitted written testimony for the record.

The issues raised by the witnesses included the need for potable water supplies and wastewater disposal, affordable housing, the need for jobs to combat high rates of unemployment and underemployment, the need to address the poor health of some rural residents and to improve rural health delivery facilities, the poor state of repair of roads, bridges, and other rural infrastructure, the lack of quality educational opportunities for rural youth, the need for local, State, and Federal funds for rural development projects, and the nature and budgetary restrictions on such programs. A predominant theme of the testimony by a number of the witnesses was the need to increase the flexibility of the use of Federal funds at the State and local level.

II. SUBCOMMITTEE CONSIDERATION

The Subcommittee on Conservation, Credit, and Rural Development met on Nov. 14, 1989, to consider H.R. 3581, the Rural Economic Development Act of 1989. Subcommittee Chairman Glenn English opened the Subcommittee consideration of H.R. 3581 by explaining the provisions of the bill. Mr. Coleman, cosponsor of the bill, also elaborated on specific features of the bill.

Mr. English and Mr. Coleman offered an en bloc amendment making a number of changes in the bill. After discussion the English-Coleman en bloc amendment was adopted by voice vote. A technical amendment offered by Mr. Coleman was also agreed to without objection.

Mr. Morrison offered an amendment regarding assistance for forest dependent communities. After discussion, Mr. Morrison, without objection, withdrew his amendment.

Mr. Tallon offered an amendment to establish a loan and grant program to assist with the consolidation of water and wastewater facilities to increase the efficiency of such facilities. The amendment was approved by voice vote.

Mr. Grandy offered an amendment to reauthorize funding for the National Rural Development Finance Center. After discussion, the amendment was withdrawn without objection.

Mr. Stallings offered an amendment to require that rural housing loans made by institutions of the Farm Credit System be securitized through the Federal Agricultural Mortgage Corporation. The amendment was adopted by voice vote.

Mr. Nagle offered an amendment to include unemployment as a criteria to be considered in the ranking of projects for funding under title II of the bill. The amendment was agreed to by a voice vote.

Mr. Grandy offered an amendment to provide for the establishment of centers for cooperative research, education, training, and development. After discussion and without objection, the amendment was withdrawn.

A technical amendment to title VII of the bill, offered by Mr. English and Mr. Coleman, was adopted by voice vote.

Mr. Tallon offered an amendment to provide for the equitable reallocation of unexpended rural development program funds.

After discussion, a reformed wording was agreed to and the amendment was adopted by voice vote.

Mr. Penny offered an amendment to add to the bill the provisions of The Agricultural Research Commercialization Act. The amendment was agreed to by voice vote.

Mr. Morrison offered en bloc a number of amendments addressing public utility and local government issues in title II of the bill. After discussion, and without objection, the amendment was withdrawn.

Mr. Harris offered an amendment to ensure that assistance authorized in the bill would not duplicate services or assistance provided by other Federal programs or the private sector. The amendment was adopted by voice vote.

Mr. Penny offered an amendment to provide that the banks for cooperatives could provide interim construction financing for water and waste disposal facilities only to the extent that other commercial financing is unavailable. After discussion and without objection the amendment was withdrawn.

Mr. Coleman moved that H.R. 3581, as amended, be ordered reported to the full Committee with the recommendation that it do pass. The bill was reported by a recorded vote of 16 yeas-0 nays, and ordered reported to the full Committee in the presence of a quorum.

III. FULL COMMITTEE CONSIDERATION

The Committee on Agriculture met, pursuant to notice on Nov. 17, 1989 to consider H.R. 3581. Committee consideration of the bill was suspended until further notice, pending the resolution of certain budgetary issues in the bill.

Chairman de la Garza reconvened the Committee on Feb. 27, 1990 for the purpose of considering H.R. 3581, the Rural Economic Development Act of 1989. Without objection, the Subcommittee on Department Operations, Research, and Foreign Agriculture was discharged from further consideration of the bill.

Chairman de la Garza recognized Mr. English and Mr. Coleman to explain in detail provisions of the bill.

Mr. Penny asked unanimous consent to withdraw subtitle B of title VI of the bill, regarding the commercialization of agricultural research. Without objection, the subtitle was withdrawn.

Mr. English offered an en bloc amendment which was clarifying in nature. Mr. Volkmer offered two clarifying amendments to the en bloc amendment, both of which were accepted, and the en bloc amendment, as amended, was adopted by a voice vote.

Mr. Coleman offered an amendment to eliminate the restriction on population in areas in which rural technology centers may be based, and to ensure that the bill is not interpreted to preclude States from creating and maintaining their own rural development programs. The amendment was adopted by a voice vote.

Mr. Rose offered an amendment to remove water and wastewater loan and grant funding from the pooling provisions included in title II of the bill. After considerable debate, Mr. English offered a substitute amendment which limits the transfer of funds between designated rural development programs under the bill. By a vote of

25 yeas-18 nays the English substitute to the Rose amendment was adopted.

Mr. Olin offered en bloc two amendments to amend the criteria included in title II regarding the ranking of rural business development and infrastructure projects under the bill. After some discussion, Mr. Olin withdrew these amendments to be offered at later time.

The Rose amendment, as amended by the English substitute, was then adopted by a voice vote.

Mr. Johnson offered an amendment to clarify that Indian tribes will be eligible for water and wastewater assistance to alleviate health risks. The amendment was adopted by a voice vote.

Mr. Glickman offered an amendment to broaden the scope of activities for which the Mid-America trade center might use grant funds. After discussion Mr. Glickman, without objection, withdrew the amendment.

Mr. Hopkins offered an amendment to make eligible for assistance under the rural technology grants program new enterprises which add value to on-farm production. The amendment was adopted by a voice vote.

Mr. Stangeland offered an amendment to require consideration of rural enterprise zones in the distribution of funding assistance under title II of the bill. After discussion, the amendment failed by a show of hands vote of 8 yeas-8 nays.

Mr. Espy offered an amendment to add the criteria of need to the project ranking criteria used to determine the rank-ordering of applications under title II of the bill. The amendment was adopted by a voice vote.

Mr. Morrison offered an amendment to add a new title to the bill to provide assistance to rural communities that are economically dependent upon forest resources. The amendment was adopted by a voice vote.

Mr. Stenholm offered an amendment to make explicit the advisory nature of the State rural development review panel in the ranking of applications for rural development assistance under title II of the bill, and to clarify that the decisions and recommendations of the panel are not binding on the Secretary of Agriculture. The amendment was adopted by a voice vote.

Mr. Gunderson offered an amendment to include the term "regional" in the language used to describe areas eligible to submit rural development plans to the State review panel established in title II of the bill. The amendment was adopted by a voice vote.

Mr. Tallon offered an amendment to clarify an amendment he had offered during the Subcommittee consideration of the bill to encourage the consolidation of water and wastewater systems to achieve better efficiency. The amendment passed by voice vote.

Mr. Combest offered an amendment to strike section 302, regarding the deferment of payment on certain Rural Electrification Administration loans. After some discussion the amendment was defeated by a recorded vote of 9 yeas-19 nays.

Mr. Olin offered an amendment to explicitly include rural infrastructure needs as a point of consideration in the development of the area economic development plans under title II. The amendment was accepted by voice vote.

Mr. Schuette offered an amendment provide that the State review panel established under title II of the bill make available to the public the rankings of applications for assistance, along with an explanation why the applications were ranked as they were by the panel. The amendment was passed by voice vote.

Mr. Stallings offered an amendment to add a new title to the bill to enhance rural educational opportunities and telecommunications capabilities. Mr. Coleman offered an amendment to expand the range of services provided by, and the organizations that may participate in, the program under the Stallings amendment. The Coleman amendment was approved by a voice vote.

Mr. Tallon offered an amendment to the Stallings amendment to allow funds to be used to develop, produce, and acquire certain educational and institutional programming, and for other purposes. After discussion, Mr. Stallings, without objection, withdrew his amendment.

Mr. Grandy offered an amendment to reauthorize and improve the existing rural development program created under section 1323 of the Food Security Act of 1985. Mr. Roberts offered an amendment to Mr. Grandy's amendment to reduce the authorization level from $20 million to $10 million. The Roberts amendment was adopted by a voice vote. After discussion the Grandy amendment failed by a roll call vote of 13 yeas-19 nays.

Mr. Staggers offered an amendment to provide $10 million for the development of rural small business incubators. After discussion, Mr. Staggers, without objection, withdrew the amendment.

Mr. Tallon offered an amendment to provide for a Federal employee to serve as the State coordinator of each State rural economic development review panel established under title II of the bill. The amendment failed on a voice vote.

Mr. Harris offered an amendment to prohibit rural electrification program borrowers from tying the availability of water and wastewater services to the purchase of electric services. The amendment was adopted by a voice vote.

Mr. Grandy offered an amendment to allow institutions dedicated to the development of cooperatives to be eligible for grants under the rural technology grant program. The amendment was adopted by a voice vote.

Mr. English offered a series of technical amendments to the Consolidated Farm and Rural Development Act. These amendments were adopted by voice vote.

Mr. English proposed four separate pieces of proposed report language (one on behalf of Mr. Huckaby), all of which were adopted by a voice vote, and are included in the section-by-section analysis section of this report.

Mr. Coleman (on behalf of Mr. Madigan) offered report language regarding farm and rural business finance research. The language was approved by a voice vote, and is included in the section-by-section analysis section of this report.

Report language offered by Mr. Walsh to clarify the definition of "rural area" for the purposes of determining the eligibility of persons to be appointed to the rural economic development review panel under title II of the bill. Interested Members were invited to work toward a consensus on this matter to be included in the report to accompany the bill.

Mr. de la Garza offered an amendment to set the limit of business and industry loans at $5,000,000, and to delete Title V of the 1972 Rural Development Act from those programs to be transferred to Rural Development Administration established under title I of the bill. The amendment was adopted by a voice vote.

By a voice vote, H.R. 3581, as amended, was ordered favorably reported to the House.

By unanimous consent, the Committee staff were given permission to make any necessary technical, clarifying or conforming corrections to the bill.

ADMINISTRATION POSITION

At the time of the filing of this report, the Committee had not received a report from the U.S. Department of Agriculture concerning H.R. 3581, as amended, a bill entitled the "Rural Economic Development Act of 1990".

BUDGET ACT COMPLIANCE (SECTION 308 AND SECTION 403)

The provisions of clause 2(l)(3)(B) of Rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority, new spending authority, or new credit authority, or increased or decreased revenues or tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 2(l)(3)(C) of Rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974 submitted to the Committee prior to the filing of this report are as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 5, 1990.

Hon. E DE LA GARZA,
Chairman, Committee on Agriculture,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 3581, the Rural Economic Development Act of 1989.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill Number: H.R. 3581.
2. Bill title: Rural Economic Development Act of 1989.
3. Bill Status: As ordered reported by the House Committee on Agriculture, February 27, 1990.
4. Bill purpose: H.R. 3581 would authorize funding for the creation of new programs and the expansion of existing programs in rural development. The bill would change the administration of ex-

isting programs, creating a new Rural Development Administration within the U.S. Department of Agriculture (USDA), and allowing state economic development boards to set project priorities at the state level. Authorization levels for rural water and waste grants would be significantly increased.

H.R. 3581 would create new programs to provide grants for rural technology development centers and would expand the role of the Rural Electrification Administration (REA) and the Extension Service (ES) in rural development. It would also place controls on the administration of REA's electric and telephone programs and authorize funding for planning, education and loans to assist communities dependent on national forest resources in diversifying their local economies.

5: Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

Summary table	'90	1991	1992	1993	1994	1995
Direct Spending:						
Estimated budget authority		1	1	2	2	2
Estimated outlays		1	1	2	2	2
Authorization:						
Estimated authorization level	456	540	544	497	501	504
Estimated outlays	14	146	308	397	433	489
Total:						
Estimated Budget authority/authorization level	456	541	545	499	503	506
Estimated outlays	14	147	309	399	435	491

The costs of this bill fall within budget functions 300, 350, 370 and 450.

Basis of Estimate

This estimate assumes enactment of the bill by May 1990. Further, it assumes that amounts authorized for fiscal year 1990 will be appropriated in supplemental legislation by July 1990 and the full amounts authorized will be approporiated prior to the beginning of each subsequent fiscal year. For 1990, we assume that the full amounts authorized will be appropriated, except for operating expenses, in which case one-quarter of the annual amount will be appropriated. Provisions not discussed below are not expected to have a significant budget impact.

Titles I and II

Title I of H.R. 3581 would require the Secretary of Agriculture to establish a Rural Development Administration within USDA, transferring the rural development programs of the Farmers Home Administration to the newly established administration. Title I would create a new Administrator's position and office, with an estimated cost of about $300,000 per year.

Title II would change water and waste programs, community facilities and business and industry programs to allow state and local governments a larger role in setting priorities in their areas. USDA would contribute $100,000 per year per state towards the administrative expenses of the new system, at a total cost of about $5 million per year. The bill specifies that these payments would come from USDA's existing water and waste grants program.

The following table summarizes the budget impact of the provisions of Title I.

[By fiscal year, in millions of dollars]

Titles I and II	1990	1991	1992	1993	1994	1995
Administrator, Rural Development Administration:						
Estimated authorization level	(1)	(1)	(1)	(1)	(1)	(1)
Estimated outlays	(1)	(1)	(1)	(1)	(1)	(1)
Administrative costs, State review panels:						
Authorization level	1	5	5	5	5	5
Estimated outlays	1	5	5	5	5	5
Total:						
Estimated authorization level	1	5	5	5	5	5
Estimated outlays	1	5	5	5	5	5

[1] Less than $500,000

Title III

Title III of H.R. 3581 would make a number of changes to existing rural development programs. The largest change would be an increase in the authorized limit for rural water and waste grants by $345 million per year, from $155 million to $500 million. For 1990, $208 million has already been appropriated for this program. This estimate assumes that the additional $292 million would be appropriated in 1990, and that the full amount authorized would be appropriated in subsequent years. Assuming appropriation of the full amount, this would result in additional outlays of $1 million in 1990 and about $1 billion between 1990 and 1995.

Section 301 would create a new unit within the Rural Electrification Administration (REA) to provide technical assistance to REA borrowers involved in rural development activities. Though no new funds are authorized for this purpose, CBO estimates that REA would require additional funds totaling $3 million to 4 million a year to carry out these new responsibilities.

Section 302 would expand REA's existing rural development loan and grant program. Under this program, REA makes loans and grants to REA borrowers for rural development projects. Budget authority for the program is generated partly by appropriation and partly by a formula based on advance loan payments by REA borrowers. Section 302 would expand the formula part of the program, by increasing the amount of advance payments included in the formula calculation and by including spending by REA borrowers on rural development projects in that calculation. These increases would be subject to appropriation action.

The title would also reduce the maximum loan size for business and industry loans and create a circuit rider program to provide technical assistance to rural waste water systems. The former is not expected to have a significant budgetary impact; for the latter, the bill authorizes appropriations of $4 million per year.

Total estimated authorization levels and outlays associated with this title are as follows:

[By fiscal year, in millions of dollars]

Title III	1990	1991	1992	1993	1994	1995
Rural water and waste grants:						
Net additional authorizations	292	345	345	345	345	345
Estimated outlays	1	46	127	222	289	337
REA technical assistance unit:						
Estimated authorization level	1	3	4	4	4	4
Estimated outlays	1	3	3	4	4	4
Expansion of REA rural development program:						
Estimated authorization level:						
Estimated authorization level	3	7	10	11	14	15
Estimated outlays	1	7	9	11	13	15
Rural Waste Water treatment circuit rider program:						
Authorization level	1	4	4	4	4	4
Estimated outlays	1	3	4	4	4	4
Total						
Estimated authorization level	297	360	363	364	367	368
Estimated outlays	4	59	143	240	310	360

Titles IV, V, and VI

Title IV of this bill would authorize $50 million per year for three years for USDA to make grants to nonprofit organizations to operate centers for rural technology development. Title V would require the ES to provide leadership training and technical and management assistance to rural residents, as well as maintain information on existing programs. The ES currently does some work in rural development; however, this would significantly expand its activities. Assuming an average of two people per state to focus on rural development issues, CBO estimates that the ES would require about $10 million per year to carry out this mandate.

Title VI of H.R. 3581 would authorize USDA's Cooperative State Research Service (CSRS) to make research grants to study non-food uses of agricultural products, the social and economic factors affecting rural development and demonstration projects in rural areas. CSRS already provides grants for these purposes, and no additional funding would be authorized by this title.

Total authorization levels and outlays associated with these titles are as follows:

[By fiscal year, in millions of dollars]

Titles IV, V, and VI	1990	1991	1992	1993	1994	1995
Rural technology grants:						
Authorization level	50	50	50			
Estimated outlays		30	75	45		
Extension service rural training:						
Estimated authorization level	3	10	10	11	11	12
Estimated outlays	1	10	10	11	11	12

[By fiscal year, in millions of dollars]

Titles IV, V, and VI	1990	1991	1992	1993	1994	1995
Total:						
Estimated authorization level	53	60	60	11	11	12
Estimated outlays	1	40	85	56	11	12

Title VII

Title VII of the bill would make a number of changes to the electric and telephone programs of the REA. It would establish certain administrative procedures, restrict the factors REA can consider in making loans, and effectively broaden the scope of projects eligible for telephone loans. As well, Section 746 of Title VII would require the Rural Telephone Bank (RTB) regard to Executive Branch restrictions.

CBO estimates that Section 725, which expands the purposes for telephone loans to include items such as buildings and rolling stock, would increase telephone loan demand by about 2-3 percent per year, or about $10 million, beginning in 1991. Combined with Section 746, this would result in budget authority of $10 million to $12 million per year, and associated outlays, assuming the necessary appropriations.

By itself, Section 725 would not have any budget impact, as CBO's baseline projects that in 1991 RTB will be operating at the minimum appropriated loan level. Assuming continuation of the Administration's policy to use the appropriated loan floor as a maximum, an increase in loan demand would not raise loans above the minimum. However, Section 746 would require the RTB to exceed appropriated minimum loan levels, demand permitting. With no provisions to increase loan demand, we estimate that Section 746 by itself would not create additional demand and would not have any budget impact. The RTB could, however, accommodate the additional loan demand from Section 725 using this provision. Therefore, while under CBO's baseline assumptions neither Section 725 nor Section 746 alone would result in costs, the combination of the two sections would.

The budget impact of Title VII is summarized in the following table:

[By fiscal year, in millions of dollars]

Titles VII	1990	1991	1992	1993	1994	1995
Expansion of REA telephone demand:						
Estimated authorization level		10	11	11	12	12
Estimated outlays		3	5	6	8	9

Title VIII

Title VIII contains provisions to reduce interest rates, to restructure community facility loans and to authorize rural water and waste disposal loans and grants for communities facing health risks due to inadequate water and sewer facilities.

Section 802 would result in direct spending by changing the way in which the Farmers Home Administration (FmHA) determines interest rates on loans to rural health care facilities. This change would make borrowers eligible for lower rates, on average, and thus would reduce interest receipts by $1 million to $2 million a year, beginning in 1991. All other spending provisions of Title VIII would require appropriation action.

Total authorization levels and outlays associated with Title VIII are as follows:

[By fiscal year, in millions of dollars]

Title VIII	1990	1991	1992	1993	1994	1995
Direct spending:						
Loan rates applicable to health care and other facilities:						
Estimated budget authority		1	1	2	2	2
Estimated outlays		1	1	2	2	2
Authorizations:						
Water and waste loans—Health risks:						
Authorization level	60	60	60	60	60	60
Estimated outlays	(*)	6	25	44	53	56
Total:						
Estimataed budget authority authorization level	60	61	61	62	62	62
Estimated outlays	0	7	26	46	55	58

*Less than $500,000

Title IX

Title IX of H.R. 3581 is entitled the National Forest-Dependent Rural Communities Economic Diversification Act of 1990. It would authorize the Forest Service (FS) to provide assistance to rural communities that are located in or near national forests and that are economically disadvantaged by federal land management practices. Assistance could include: the development of rural forestry and economic diversification action teams to prepare action plans to provide technical assistance to economically disadvantaged communities; grants totaling no more than 80% of the costs of implementing action plans; education programs to assist businesses and local public officials in dealing with economic diversification; and loans to economically disadvantaged rural communities to aid in the development and implementation of their action plans.

Title IX would authorize the appropriation of an amount equal to 5 percent of timber receipts and user fees received by the FS and such additional sums as the Congress may appropriate. Assuming appropriation of the minimum amounts authorized (5 percent of FS timber receipts and user fees), CBO estimates that enactment of Title IX would result in additional budget authority of $45 million in 1990 and slightly larger amounts in subsequent years. Outlays are estimated based on historical rates for state and private forestry programs of the FS.

The budget impact of Title IX is summarized in the following table.

[By fiscal year, in millions of dollars]

Title IX	1990	1991	1992	1993	1994	1995
Assistance to forest-dependent communities:						
Estimated authorization level	45	45	45	46	46	47
Estimated outlays	8	33	45	46	46	47

6. Estimated cost to state and local governments: Title II would require that local governments submit area economic development plans to state economic review panels. Up to $100,000 per year of the cost of each state review panel would be paid by the federal government. However, states and local governments could incur additional costs to prepare and review these plans. Since part of the cost of these panels would be subsidized and since many local governments already participate in local planning efforts, these costs are not likely to be significant.

Title V would require the ES to provide rural development training and maintain a database on rural development programs. Since ES programs generally require matching funds from the states, this could result in costs totaling up to $10 million a year for states choosing to participate.

7. Estimate comparison: None.

8. Previous CBO estimate: CBO prepared a cost estimate on January 25, 1990 for H.R. 3581 as ordered reported by the Subcommittee on Conservation, Credit and Rural Development of the House Agriculture Committee. This estimate reflects changes made to the legislation since then, including increasing the authorization level for water and waste grants, removing the provisions creating an Agricultural Research Commercialization Corporation, and increasing assistance to communities dependent on natural resources.

9. Estimate prepared by: Marta Morgan.

10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of Rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of H.R. 3581, as amended, will have no inflationary impact on the national economy.

OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by H.R. 3581, as amended.

No specific oversight activities other than the hearings detailed in this report were conducted by the Committee within the definition of clause 2(b)(1) of Rule X of the Rules of the House of Representatives.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

Consolidated Farm and Rural Development Act

* * * * * * *

Subtitle A—Real Estate Loans

* * * * * * *

Sec. 306. (a)(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, recreational developments, and essential community facilities including necessary related equipment, all primarily serving farmers, ranchers, farm tenants, farm laborers, *rural businesses,* and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes. When any loan made for a purpose specified in this paragraph is sold out of the Agricultural Credit Insurance Fund as an insured loan, the interest or other income thereon paid to an insured holder shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954. With respect to loans of less than $500,000 made or insured under this paragraph that are evidenced by notes and mortgages, as distinguished from bond issues, borrowers shall not be required to appoint bond counsel to review the legal validity of the loan whenever the Secretary has available legal counsel to perform such review.

(2) The Secretary is authorized to make grants aggregating not to exceed $500,000,000 in any fiscal year to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas[: *Provided,* That for fiscal years commencing after September 30, 1981, such grants may not exceed $154,900,000 in any fiscal year]. The amount of any grant made under the authority of this paragraph shall not exceed 75 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area. The Secretary shall fix the grant rate for each project in conformity with regulations issued by the Secretary that shall provide for a graduated scale of grant rates establishing higher rates for projects in communities that have lower community population and income levels.

(3) No grant shall be made under paragraph (2) of this subsection in connection with any project unless the Secretary determines

that the project (i) will serve a rural area which, if such project is carried out, is not likely to decline in population below that for which the project was designed, (ii) is designed and constructed so that adequate capacity will or can be made available to serve the present population of the area to the extend feasible and to serve the reasonably foreseeable growth needs of the area, and (iii) is necessary for an orderly community development consistent with a comprehensive community water, waste disposal, or other development plan of the rural area [and not inconsistent with any planned development provided in any State, multijurisdictional, county, or municipal plan approved by competent authority for the area in which the rural community is located, and the Secretary shall require the submission of all applications for financial assistance under this section to the multijurisdictional substate areawide general purpose planning and development agency that has been officially designated as a clearing house agency under Office of Management and Budget Circular A-95 and to the county or municipal government having jurisdiction over the area in which the proposed project is to be located for review and comment within a designated period of time not to exceed 30 days concerning among other considerations, the effect of the project upon the areawide goals and plans of such agency or government. No loan under this section shall be made that is inconsistent with any multijurisdictional planning and development district areawide plan of such agency. The Secretary is authorized to reimburse such agency or government for the cost of making the required review. Until October 1, 1973, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area].

* * * * * * *

(12)(A) The Secretary shall, in cooperation with institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503-505, as amended; 7 U.S.C. 301-305, 307, and 308, or the Act of August 30, 1890 (26 Stat. 417-419, as amended; 7 U.S.C. 321-326 and 328), including the Tuskegee Institute and State, substate, and regional planning bodies, establish a system, *that shall be located in the National Agricultural Library,* for the dissemination of information and technical assistance on federally sponsored or funded programs. The system shall be for the use of institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503-505, as amended; 7 U.S.C. 301-305, 307 and 308), or the Act of August 30, 1890 (26 Stat. 417-419, as amended; 7 U.S.C. 321-326 and 328), including the Tuskegee Institute and State, substate, and regional planning bodies, and other persons concerned with rural development.

* * * * * * *

SEC. 306B. WATER AND WASTE FACILITY LOANS AND GRANTS TO ALLEVIATE HEALTH RISKS.

(a) Water and Waste Facility Loans and Grants to Alleviate Health Risks.—(1) The Secretary shall make or insure loans and make grants to rural water supply corporations, cooperatives, or similar entities, Indian tribes on Federal and State reservations and

other Federally recognized Indian tribes, and public agencies, to provide for the conservation, development, use, and control of water (including the extension or improvement of existing water supply systems), and the installation or improvement of drainage or waste disposal facilities and essential community facilities including necessary related equipment. Such loans and grants shall be available only to provide such water and waste facilities and services to communities whose residents face significant health risks, as determined by the Secretary, due to the fact that a significant proportion of the community's residents do not have access to, or are not served by, adequate affordable—

(A) water supply systems; or

(B) waste disposal faciliies.

(2) Loans made or insured or grants made under this section to rural water supply corporations, cooperatives, or similar entities, Indian tribes on Federal and State reservations and other Federally recognized Indian tribes, or public agencies shall be made only if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of country in which—

(A) the per capita income of the residents of such country is less than or equal to 70 percent of the national average per capita income, as determined by the Department of Commerce; and

(B) the unemployment rate of the residents of such county is greater than or equal to 125 percent of the national average unemployment rate, as detemined by the Bureau of Labor Statistics.

(b) LOANS TO INDIVIDUALS.—The Secretary shall make or insure loans and make grants to individuals who reside in a community described in subsection (a)(1) for the purpose of extending water supply and waste disposal systems or connecting such systems to the residences of such individuals. Such loans shall be at a rate of interest no greater than the Federal Financing Bank rate on loans of a similar term at the time such loans are made. The repayment of such loans shall be amortized over the expected life of the water supply or waste disposal system to which the residence of the borrower will be connected.

(2) The loans and grants to individuals authorized under paragraph (1) shall be made—

(A) directly to such individuals by the Secretary; or

(B) to such individuals through the rural water supply corporation, cooperative, or similar entity, or public agency, providing such water supply or waste disposal services, pursuant to regulations issued by the Secretary.

(c) PREFERENCE.—The Secretray shall give preference in the awarding of loans and grants to—

(1) rural water supply corporations, cooperatives, or similar entities, or public agencies, as provided under subsection (a), proposing to provide water supply or waste disposal services to the residents of those rural subdivisions commonly referred to as colonias, that are characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities; and

(2) individuals, as provided under subsection (b), who reside in a rural subdivision commonly referred to as a colonia, that is characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities.

(d) DEFINITION.—For the purposes of this section the term "cooperative" means a cooperative formed specifically for the purpose of the installation, expansion, improvement or operation of water supply or waste disposal facilities or systems.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated funds to carry out the purposes of this section as follows:

(1) for grants as provided by this section, $30,000,000 per fiscal year; and

(2) for loans as provided by this section, $30,000,000 per fiscal year.

SEC. 307. (a)(1) * * *

* * * * * * *

(3)(A) Except as provided in paragraph (6), the interest rates on loans (other than [guranteed] *guaranteed* loans), to public bodies or nonprofit associations (including Indian tribes on Federal and State reservations and other federally recognized Indian tribal groups) for water and waste disposal facilities and essential community facilities shall be set by the Secretary at rates not to exceed the current market yield for outstanding municipal obligations with remaining periods to maturity comparable to the average maturity for such loans, and adjusted to the nearest one-eighth of 1 per centum; and not in excess of 5 per centum per annum for any such loans which are for the upgrading of existing facilities or construction of new facilities as required to meet applicable health or sanitary standards in areas where the median family income of the persons to be served by such facility is below the poverty line prescribed by the Office of Management and Budget as adjusted under section 624 of the Economic Opportunity Act of 1964 (42 U.S.C. 2971d) and in other areas as the Secretary may designate where a significant percentage of the persons to be served by such facilities are of low income, as determined by the Secretary; and not in excess of 7 per centum per annum on loans for such facilities that do not qualify for the 5 per centum per annum interest rate but are located in areas where the median household income of the persons to be served by the facility does not exceed 100 per centum of the statewide nonmetropolitan median household income.

* * * * * * *

(C) Notwithstanding the provisions of subparagraph (A), the Secretary shall establish loan rates for health care and related facilities that shall be based solely on the income of the area to be served, and such rates shall be otherwise consistent with the provisions of such subparagraph.

* * * * * * *

SEC. 308. Loans under this subtitle may be insured by the Secretary whenever funds are advanced or a loan is purchased by a lender other than the United States. In connection with insurance of loans, the Secretary—

[(a)**]** *(1)* is authorized to make agreements with respect to the servicing of loans insured hereunder and to purchase such loans on such terms and conditions as he may prescribe**[**,**]***;* and

[(b)**]** *(2)* may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan.

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Sec. 309. (a) * * *

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(e) The Secretary shall deposit in the fund all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge shall be available for administrative expenses of the Farmers Home Administration *and the Rural Development Administration, in proportion to such charges collected in connection with the insurance of loans by such agency,* to be transferred annually and become merged with any appropriation for administrative expenses *for such agency.*

Sec. 310B. (a) *The Secretary may also make and insure loans to small and very small rural businesses to assist in the startup and expansion of such businesses that have presented an application for a business project meeting the criteria established under section 361(b)(3)(A) to the applicable State rural economic development review panel defined in section 360(b)(7).* The Secretary may also make and insure loans to public, private, or cooperative organizations organized for profit or nonprofit, to Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups, or to individuals for the purposes of (1) improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities, including pollution abatement and control, (2) the conservation, development, and use of water for aquaculture purposes in rural areas, and (3) reducing the reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems, including the modification of existing systems, in rural areas. For the purposes of this subsection, the term "solar energy" means energy derived from sources (other than fossil fuels) and technologies included in the Federal Nonnuclear Energy Research and Development Act of 1974, as amended. Such loans, when originated, held, and serviced by other lenders, may be guaranteed by the Secretary under this section without regard to subsections (a) and (c) of section 333. As used in this subsection, the term "aquaculture" means the culture or husbandry of aquatic animals or plants by private industry for commercial purposes including the culture and growing of fish by private industry for the purpose of creating or augmenting publicly owned and regulated stocks of fish. No loan may be made, insured, or guaranteed under this subsection that exceeds **[**$25,000,000**]** *$5,000,000* in principal amount. *The primary purpose of the program established under this subsection shall be to assist small and very small rural businesses, as provided in the first sentence of this subsection. For the purposes* *of this section, the term "very small business" means a business having fewer than 30 employees; and the term "small business" shall not be defined in such a manner as to be inconsistent with the definition of such term established by the Small Business Administration pursuant to section 112(b) of Public Law 94-305 (15 U.S.C. 632).*

* * * * * * *

(d)*(1)* The Secretary may participate in joint financing to faciliate development of private business enterprises in rural areas with the Economic Development Administration, the Small Business Administration, and the Department of Housing and Urban Development and other Federal and State agencies and with private and quasi-public financial institutions, through joint loans to applicants eligible under subsection (a) for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural areas or through joint grants to applicants eligible under subsection (c) for such purposes, including in the case of loans or grants the development, construction, or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities refining, service and fees.

[(1)**]** *(2)* No financial or other assistance shall be extended under any provision of sections 304(b), 310B, and 312(b), except for cases in which such assistance does not exceed $1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, that is calculated to or is likely to result in the transfer from one area to another of any employment or business activity provided by operations of the applicant, but this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations unless there is reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

[(2)**]** *(3)* No financial or other assistance shall be extended under any provision of sections 304(b), 310B, and 312(b), except for cases in which such assistance does not exceed $1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, which is calculated to or is likely to result in an increase in the production of goods, materials, or commodities, or the availability of services or facilities in the area, when there is not sufficient demand for such goods, materials, commodities, services, or facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises, unless such financial or other assistance will not have an adverse effect upon existing competitive enterprises in the area

[(3)**]** *(4)* No financial or other assistance shall be extended under any provision of sections 304(b), 310B, and 312(b), except for cases in which such assistance does not exceed $1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, if the Secretary of Labor certifies within 30 days after the matter has been submitted to him by the Secretary of Agriculture that the provisions of paragraphs (1) and (2) of this subsection have not been complied with. The Secretary of Labor shall, in cooperation with the Secretary of Agriculture, develop a system of certification which will ensure the expeditious processing of requests for assistance under this section.

⟦(4)⟧ *(5)* No grant or loan authorized to be made under this Act shall require or be subject to the prior approval of any officer, employee, or agency of any State.

⟦(5)⟧ *(6)* No loan commitment issued under this section, section 304, or section 312 shall be conditioned upon the applicant investing in excess of 10 per centum in the business or industrial enterprise for which purpose the loan is to be made unless the Secretary determines there are special circumstances which necessitate an equity investment by the applicant greater than 10 per centum.

⟦(6)⟧ *(7)* No provision of law shall prohibit issuance by the Secretary of certificates evidencing benefical ownership in a block of notes insured or guaranteed under this Act or Title V of the Housing Act of 1949; any sale by the Secretary of such certificates shall be treated as a sale of assets for the purposes of the Budget and Accounting Act of 1921. Any security representing beneficial ownership in a block of notes guaranteed or insured under this Act or Title V of the Housing Act of 1949 issued by a private entity shall be exempt from laws administered by the Securities and Exchange Commission, except sections 17, 22, and 24 of the Securities Act of 1933, as amended; however, the Secretary shall require (i) that the issuer place such notes in the custody of an institution chartered by a Federal or State agency to act as trustee and (ii) that the issuer provide such periodic reports of sales as the Secretary deems necessary.

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⟦(f)(1) The Secretary may make grants under this subsection to public and nonprofit private institutions for the purpose of enabling them to establish and operate centers of rural technology development that have, as a primary objective, the improvement of the economic condition of rural areas by promoting the development (through technological innovation and adaptation of existing technology) and commercialization of (A) new products that can be produced in rural areas, and (B) new processes that can be used in such production.

⟦(2) Grants under this subsection may be made on a competitive basis. In making grants, the Secretary shall give preference to applicants that will establish centers for rural technology in areas that have (A) few industries and agribusinesses, (B) high levels of unemployment, (C) high rates of out-migration of people, business, and industries, and (D) low levels of per capita income.

⟦(3) If grants are to be made under this subsection, the Secretary shall issue regulations implementing this subsection that shall include provisions for the monitoring and evaluation of the rural technology development activities carried out by institutions that receive grants under this subsection.]

(f)(1) The Secretary shall make grants under this subsection to nonprofit institutions for the purpose of enabling such institutions to establish and operate centers for rural technology or cooperative development.

(2) Any nonprofit institution seeking a grant under paragraph (1) shall submit to the Secretary an application containing a plan for the establishment and operation by such institution of a center for rural technology or cooperative development. the Secretary may approve such application if such plan contains the following:

(A) A provision that substantiates that such center will effectively serve rural areas in the United States.

(B) A provision that the primary objective of such center will be to improve the economic condition of rural areas by promoting the development (through technological innovation or cooperative development and the adaptation of existing technology) and commercialization of—

(i) new services and products that can be produced or provided in rural areas;

(ii) new processes that can be utilized in the production of products in rural areas; and

(iii) new enterprises that can add value to on-farm production through processing or marketing.

(C) A description of the activities that such center will carry out to accomplish such objective. Such activities may include the following:

(i) Programs for technology research, investigations, and basic feasibility studies in any field and discipline for the purpose of generating principles, facts, technical knowledge, new technology, or other information that may be useful to rural industries, cooperatives, agribusinesses, and other persons or entities in rural areas served by such centers in the development and commercialization of new products, processes, or services.

(ii) Programs for the collection, interpretation, and dissemination of existing principles, facts, technical knowledge, new technology, or other information that may be useful to rural industries, cooperatives, agribusinesses, and other persons in rural areas served by the center in the development and commercialization of new products, processes, or services.

(iii) Programs providing training and isntruction for individuals residing in rural areas served by the center with respect to the development (through technological innovation, cooperative development, and adaptation of existing technology) and commercialization of new products, processes, or services.

(iv) Programs providing loans and grants to individuals, small businesses, and cooperatives in rural areas served by the center for purposes of generating, evaluating, developing, and commercializing new products, processes, or services.

(v) Programs providing technical assistance and advisory services to individuals, small businesses, cooperatives, and industries in rural areas served by the center for purposes of developing and commercializing new product, processes, or services.

(vi) Programs providing research and support to individuals, small businesses, cooperatives, and industries in rural areas served by the center for purposes of developing new agricultural enterpries to add value to on-farm production through processing or marketing.

(D) A description of the contributions that such activities are likely to make to the improvement of the economic conditions of the rural areas for which such center will provide services.

(E) Provisions that such center, in carrying out such activities, will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

(F) Provisions that such center—

(i) will consult with any college or university administering any program under title V of the Rural Development Act of 1972 in the State in which such center is located; and

(ii) will cooperate with such college or university in the coordination of such activities and such program.

(G) Provisions that such center will take all practicable steps to develop continuing sources of financial support for such center, particularly from sources in the private sector.

(H) Provisions for—

(i) monitoring and evaluating such activities by the institution operating such center; and

(ii) accounting for money received by such institution under this section.

(I) Provisions that such center will provide for the optimal application of such technology and cooperative development in rural areas, especially those areas adversely affected by adverse agricultural economic conditions, through the establishment of demonstration projects and subcenters for—

(i) rural technology development where the technology can be implemented by communities, community colleges, businesses, cooperatives, and other institutions; or

(ii) cooperative development where such development can be implemented by cooperatives to improve local economic conditions.

(3) Grants made under paragraph (1) shall be made on a competitive basis. In making grants under paragraph (1), the Secretary shall give preference to grant applications providing for the establishment of centers for rural technology or cooperative development that—

(A) can demonstrate the capability to transfer for practical application in rural areas the technology generated at such centers and the ability to commercialize products, processes, services, and enterprises in such rural areas;

(B) will effectively serve in rural areas that have—

(i) few rural industries and agribusinesses;

(ii) high levels of unemployment or underemployment;

(iii) high rates of out migration of people, businesses, and industries; and

(iv) low levels of per capita income; and

(C) will contribute the most to the improvement of economic conditions of rural areas.

(4) As used in this subsection—

(A) The term "nonprofit institution" means any organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(B) The term "United States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the other territories and possessions of the United States.

(g) In carrying out subsection (f), the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment or underemployment of persons residing in economically distressed rural areas that the Secretary determines have a substantial need for such assistance. Such assistance shall include planning and feasibility studies, management and operational assistance, and studies evaluating the needs for and development potential of projects that increase employment and improve economic growth in such areas.

(h) The Secretary may make grants to defray not to exceed 75 percent of the administrative costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under subsection (f). For purposes of determining the non-Federal share of such costs, the Secretary shall consider contributions in cash and in kind, fairly evaluated, including but not limited to premises, equaipment, and services.

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SUBTITLE D—ADMINISTRATIVE PROVISIONS

Sec. 331 **[**For the purposes of this title and**]**, *(a) In accordance with section 359, for purposes of this title, and* for the administration of assets under the jurisdiction of the Secretary of Argiculture pursuant to the Farmers Home Administration Act of 1946, as amended, the Bankhead-Jones Farm Tenant Act, as amended, the Act of August 28, 1937, as amended, the Act of April 6, 1949, as amended, the Act of August 31, 1954, as amended, and the powers and duties of the Secretary under any other Act authorizing agricultural credit, the Secretary may assign and transfer such powers, duties, and assets to the Farmers Home Administration, to be headed by an Administrator, appointed by the President, by and with the advice and consent of the Senate, without regard to the civil service laws or the Classification Act of 1949, as amended, who shall receive basic compensation as provided by law for that office, or may assign and transfer such powers, duties, and assets to the Rural Develpment Administration as provided by law for that office.

(*b*) The Secretary may—

[(a)] (1) administer his powers and duties through such national, area, State, or local offices and employees in the United States as he determines to be necessary and may authorize an office to serve the area composed of two or more States if he determines that the volume of business in the area is not sufficient to justify separate State offices, and until January 1, 1975, make contracts for services incident to making, insuring, collecting, and servicing loans and property as determined by the Secretary to be necessary for carrying out the purposes of this title; (and the Secretary shall prior to June 30, 1974, report to the Congress through the President on the experience in using such contracts, together with recommendations for such legislation as he may see fit);

[(b)] *(2)* accept and utilize voluntary and uncompensated services, and, with the consent of the agency concerned, utilized the officers, employees, equipment, and information of any agency of the Federal Government, or of any State, territory, or political subdivision;

[(c)] *(3)* within the limits of appropriations made therefor, make necessary expenditures for purchase or hire of passenger vehicles, and such other facilities and services as he may from time to time find necessary for the proper administration of this Act;

[(d)] *(4)* compromise, adjust, reduce, or charge-off debts or claims, and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements entered into or administered by the Farmers Home Administration [under any of its programs] *or the Rural Development Administration under any of their programs,* as circumstances may require, to carry out this title. The Secretary may not require liquidation of property securing any farmer program loan or acceleration of any payment required under any farmer program loan as a prerequisite to initiating an action authorized under this subsection. The Secretary may release borrowers or others obligated on a debt incurred under this title from personal liability with or without payment of any consideration at the time of the compromise, adjustment, reduction, or charge-off of any claim, except that no compromise, adjustment, reduction, or charge-off of any claim may be made or carried out—

(1) on terms more favorable than those recommended by the appropriate county committee utilized pursuant to section 332; or

(2) after the claim has been referred to the Attorney General, unless the Attorney General approves;

[(e)] *(5)* collect all claims and obligations arising or administered under this title, or under any mortgage, lease, contract, or agreement entered into or administered pursuant to this title and, if in his judgment necessary and advisable, pursue the same to final collection in any court having jurisdiction;

[(f) Release] *(6) release* mortgage and other contract liens if it appears that they have no present or prospective value or that their enforcement likely would be ineffectual or uneconomical;

[(g) Obtain] *(7) obtain* fidelity bonds protecting the Government against fraud and dishonesty of officers and employees of the Farmers Home Administration in lieu of faithful performance of duties bonds under section 14, title 6, United States Code, and regulations issued pursuant thereto, but otherwise in accordance with the provisions thereof;

[(h) Not] *(8) not* require borrowers of pay interest accrued after December 31, 1972, on interest which is not more than 90 days overdue on any loan held or insured by the Rural Development Administration under this title or by the Farmers Home Administration;

[(i) Consent] *(9) consent to* [1] *(A)* long-term leases of facilities financed under this title notwithsanding the failure of the lessee to meet any of the requirements of this title if such long-term leases are ncessary to ensure the continuation of services for which financing was extended to the lessor, and [(2)] *(B)* the tansfer of property securing any loan or financed by any loan or grant made, insured, or held by the Secretary under this title, or the provisions of any other law administered by the [Rural Development Administration under this title or by the] Farmers Home Administration, upon such terms as he deems necessary to carry out the purpose of the loan or grant or to protect the financial interest of the Government; and

[(j)] *(10)* notwithstanding that an area ceases, or has ceased, to be "rural", in a "rural area", or an eligible area, make loans and grants, and approve transfers and assumptions, under this title on the same basis as though the area still was rural in connection with property securing any loan made, insured, or held by the Secretary under this title or in connection with any property held by the Secretary under this title.

SEC. 331A. In addition to any other authority that the Secretary may have to defer principal and interest and forego foreclosure, the Secretary may permit at the request of the borrower, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary under this title or under the provisions of any other law administered by the Farmers Home Administration *or by the Rural Development Administration,* and may forego foreclosure of any such loan, for such period as the Secretary deems necessary upon a showing by the borrower that due to circumstances beyond the borrower's control, the borrower is temporarily unable to continue making payments of such principal and interest when due without unduly impairing the standard of living of the borrower. The Secretary may permit interest that accrues during the deferral period on any loan deferred under this section to bear no interest during or after such period: *Provided,* That if the security instrument securing such loan is foreclosed such interest as is included in the purchase price at such foreclosure shall become part of the principal and draw interest from the date of foreclosure at the rate prescribed by law.

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SEC. 333A. (a) * * *

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(c) [In] *If* an application for a loan or loan guarantee under this title is disapproved by the Secretary, but such action is subsequently reversed or revised as the result of an appeal within the Department of Agriculture or to the courts of the United States and the application is returned to the Secretary for further consideration, the Secretary shall act on the application and provide the applicant with notice of the action within 15 days after return of the application to the Secretary.

* * * * * * *

SEC. 335. (a) The Secretary is authorized and empowered to make advances, without regard to any loan or total indebtedness limitation, to preserve and protect the security for or the lien or priority of the lien securing any loan or other indebtedness owing to, insured by, or acquired by the Secretary under this title or under any other programs administered by the Farmers Home Administration *or the Rural Development Administration;* to bid for and purchase at any execution, foreclosure, or other sale or otherwise to acquire property upon which the United States has a lien by reason of a judgment or execution arising from, or which is pledged, mortgaged, conveyed, attached, or levied upon to secure the payment of, any such indebtedness whether or not such property is subject to other liens, to accept title to any property so purchased or acquired; and to sell, manage, or otherwise dispose of such property as hereinafter provided.

* * * * * * *

(c)(1) Except as provided in subsection (e), the Secretary may determine whether real property administered under this title is suitable for disposition to persons eligible for assistance under the provisions of any law administered by Farmers Home Administration *or the Rural Development Administration.* The County Committee shall classify or reclassify real property (including real property administered by the Secretary on the date of the enactment of this sentence) that is farmland, as being suitable for farming operation for such disposition unless the property, including property subdivided in accordance with subsection (e)(5), cannot be used to meet any of the purposes of section 303 (including being used as a start-up or add-on parcel of farmland). Any property which the Secretary determines to be suitable for such purposes shall, whenever practicable, be sold by the Secretary as expeditiously as possible to such eligible persons in a manner consistent with such provisons hereof. Real property which is not determined suitable for sale to such eligible persons or which has not been purchased by such persons within a period of three years from the date of acquisition, shall be sold by the Secretary after public notice at public sale and, if no acceptale bid is received then by negotiated sale, at the best price obtainable for cash or on secured credit without regard to the laws governing the disposition of excess or surplus property of the United States. The terms of such sale shall require an initial downpayment and the remainder of the sale price payable in installments with interest on unpaid balance at the rate determined by the Secretary, but not in any event at rates and terms more favorable than those legally permissible for eligible borrowers, other than easements acquired under section 349. Any conveyances under this section shall include all of the interest of the United States, including mineral rights. Notwithstanding the preceding sentence, the Secretary may for conservation purposes grant or sell an easement, restriction, development rights, or the equivalent thereof, to a unit of local or State government or a private nonprofit organization separately from the underlying fee or sum of all other rights prosessed by the United States.

(2) Notwithstanding any other provision of law, the Secretary shall sell suitable farmland administered under this subtitle to operators (as of the time immediately after such contract for sale or lease is entered into) of not larger than family sized farms, as determined by the county committee. In selling such land, the county committee shall—

(A) a grant a priority to persons eligible for loans under subtitle A, including individuals approved for, but who, as of the date of the enactment of this paragraph, have not yet received, such loans;

(B) offer suitable land at a price not greater than that which reflects the appraised market value of such land;

(C) select from among qualified applicants the applicant who has the greatest need for farm income and best meets the criteria for eligibilty to receive loans under subtitle A; and

(D) publish or [caused] *cause* to be published three consecutive weekly announcements at least twice annually of the availability of such farmland, in at least one newspaper that is widely circulated in the country in which the land is located until the property is sold.

* * * * * * *

SEC. 338. (a) There is authorized to be appropriated to the Secretary such sums as the Congress may from time to time determine to be necessary to enable the Secretary to carry out the purposes of this title and for the administraton of assets transferred to the Farmers Home Administration *or the Rural Development Administration.*

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SEC. 343. (a) As used in this title (1) the term "farmers" shall be deemed to include persons who are engaged in, or who, with assistance afforded under this title, intend to engage in, fish farming, [and] (2) the term "farming" shall be deemed to include fish farming, (3) the term "owner-operator" shall include in the State of Hawaii the lessee-operator of real property in any case in which the Secretary determines that such real property cannot be acquired in fee simple by such lessee-operator, that adequate security is provided for the loan with respect to such real property for which such lessee-operator applies under this title, and that there is a reasonable probability of accomplishing the objectives and repayment of such loan, [and] (4) the word "insure" as used in this title includes guarantee, which means to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary, (5) the term [contract of insurance] *"contract of insurance"* includes a contract of guarantee, (6) the terms "United States" and "State" shall include each of the several States, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and, to the extent the Secretary determines it to be feasible and appropriate, the Trust Territory of the Pacific Islands, and (7) the term "joint operation" means a joint farming operation in which two or more farmers work together sharing equally or unequally land, labor, equipment, expenses, and income.

* * * * * * *

SEC. 346. (a) * * *

[(b)(1)(A)] *(b)(1)* For each of the fiscal years ending September 30, 1986, through September 30, 1988, real estate and operating loans may be insured, made to be sold and insured, or guaranteed in accordance with subtitles A and B, respectively, from the Agricultural Credit Insurance Fund established under section 309 in an amount equal to $4,000,000,000, of which not less than $520,000,000 shall be for farm ownership loans under subtitle A.

[(B)] *(2)* Subject to [subparagraph (C)] *paragraph (3),* such amount shall be apportioned as follows:

[(i)] *(A)* For the fiscal year ending September 30, 1986—

[(I)] *(i)* $2,000,000,000 for insured loans, of which not less than $260,000,000 shall be for farm ownership loans; and

[(II)] *(ii)* $2,000,000,000 for guaranteed loans, of which not less than $260,000,000 shall be for guarantees of farm ownership loans.

[(ii)] *(B)* For the fiscal year ending September 30, 1987—

[(I)] *(i)* $1,500,000,000 for insured loans, of which not less than $195,999,000 shall be for farm ownership loans; and

[(II)] *(ii)* $2,500,000,000 for guaranteed loans, of which not less than $325,000,000 shall be for guarantees of farm ownership loans.

[(iii)] *(C)* For the fiscal year ending September 30, 1988—

[(I)] *(i)* $1,000,000,000 for insured loans, of which not less than $130,000,000 shall be for guarantees of farm ownership loans; and

[(II)] *(ii)* $3,000,000,000 for guaranteed loans, of which not less than $390,000,000 shall be for guarantees of farm ownership loans.

[(C)] *(3)* For each of the fiscal years referred to in [subparagraph (A)] *paragraph (1),* the Secretary may transfer not more than 25 percent of the amounts authorized for guaranteed loans to amounts authorized for insured loans.

[(D)(i)] *(4)* For each of the fiscal years 1986, 1987, and 1988, emergency loans may be made or insured or guaranteed in accordance with subtitle C from the Agricultural Credit Insurance Fund as follows: $1,300,000,000 for fiscal year 1986, $700,000,000 for fiscal year 1987, and $600,000,000 for fiscal year 1988.

[(E)] *(5)* Loans for each of the fiscal years 1986, 1987, and 1988 are authorized to be insured, or made to be sold and insured, or guaranteed under the Rural Development Insurance Fund as follows:

[(i)] *(A)* Insured water and waste disposal facility loans, $340,000,000.

[(ii)] *(B)* Industrial development loans, $250,000,000.
[(iii)] *(C)* Insured community facility loans, $115,000,000.

* * * * * * *

SEC. 349. (a) For purposes of this section:

(1) The term "governmental entity" means any agency of the United States, a State, or a unit of local government of a State.

(2) The terms "highly erodible land" and "wetland" have the meanings, respectively, that such terms are given in section 1201 of the Food Security Act of 1985.

(3) The term "wildlife" means fish or wildlife as defined in section 2(a) of the Lacey Act Amendments of 1981 (16 U.S.C. 3371(a)).

[(5)] *(4)* The term "recreational purposes" includes hunting.

* * * * * * *

SEC. 353A. DEBT RESTRUCTURING AND LOAN SERVICING FOR COMMUNITY FACILITY LOANS.

The Secretary shall establish and implement a program that is similar to the program established under section 353, except that the debt restructuring and loan servicing procedures shall apply to delinquent community facility program loans (rather than delinquent farmer program loans) made by the Farmers Home Administration to a hospital or health care facility under section 306(a).

* * * * * * *

SEC. 357. PAYMENT OF LOSSES ON GUARANTEED LOANS.

(a) * * *

(b) ADMINISTRATION.—

(1) LOSS BY LENDER.—If the lender of a guaranteed farmer program loan takes any action described in section [331(d)] *331(b)(4)* with respect to the loan and the Secretary approves such action, then, for purposes of the guarantee, the lender shall be treated as having sustained a loss equal to the amount by which—

(A) the outstanding balance of the loan immediately before such action, exceeds

(B) the outstanding balance of the loan immediately after such action.

(2) NET PRESENT VALUE OF LOAN.—The Secretary shall approve the taking of an action described in section [331(d)] *331(b)(4)* by the lender of a guaranteed farmer program loan with respect to the loan if such action reduces the net present value of the loan to an amount equal to not less than the greater of—

(A) the greatest net present value of a loan the borrower could reasonably be expected to repay; and

(B) the greatest amount that the lender of the loan could reasonably expect to recover from the borrower through bankruptcy, or liquidation of the property securing the loan, less all reasonable and necessary costs and expenses that the lender of the loan could reasonably expect to incur to preserve or dispose of such property (including all

associated legal and property management costs) in the course of such a bankruptcy or liquidation.

(3) CONSTRUCTION OF SUBSECTION.—This subsection shall not be construed to limit the authority of the Secretary to enter into a shared appreciation arrangement with a borrower, or the terms and conditions which shall be required of a borrower, under section 353(e).

* * * * * * *

SEC. 359. RURAL DEVELOPMENT ADMINISTRATION.

(a) ESTABLISHMENT.—There is established in the Department of Agriculture the Rural Development Administration, which shall be headed by an Administrator appointed by the Secretary.

(b) ADMINISTRATION.—Except as provided in subsection (c), or as otherwise provided in this section, the Secretary shall carry out this Act through the Farmers Home Administration.

(c) EXCEPTIONS.—The Secretary shall carry out section 303 (in the case of loans made for purposes specified in paragraphs (2) and (3) of section 303(a)), section 304(b), section 306(a), section 306B, section 310A, section 310B, section 312(a) (in the case of loans made for the purposes specified in paragraphs (5) and (6)), section 1323 of the Food Security Act of 1985 (7 U.S.C. 1932 note), title VI of the Rural Development Act of 1972, and such other rural development programs as the Secretary determines appropriate through the Rural Development Administration.

(d) REFERENCES.—Any reference in any law, regulation, or order in effect immediately before the date of the enactment of the Rural Economic Development Act of 1990 to the Farmers Home Administration or Farmers' Home Administration or to the Administrator of the Farmers Home Administration or of the Farmers Home Administration relating to any function, power, or duty that is, on or after such date, a function, power, or duty of the Rural Development Administration or the Administrator of the Rural Development Administration, shall be deemed to be a reference to the Rural Development Administration or to the Administrator of the Rural Development Administration, as the case may be.

(e) EFFECT ON PENDING PROCEEDINGS AND PARTIES TO SUCH PROCEEDINGS.—(1) NONABATEMENT OF ACTIONS.—This Act does not abate any proceeding commenced—

(A) by or against any entity any function of which is transferred by this Act; or

(B) by or against any officer of any entity referred to in subparagraph (A) in the official capacity of such individual as such an officer.

(2) EFFECT ON PARTIES.—If an officer of the Farmers Home Administration, in the official capacity of such officer, is a party to a proceeding pending on the date of the enactment of this Act, and under this Act the officer or any function of the officer is transferred to the Rural Development Administration, Department of Agriculture, then such action shall be continued with the Secretary or the Administrator, Rural Development Administration, or other appropriate officer of the Department substituted or added as a party.

(3) TRANSFER OF CERTAIN RIGHTS OF FARMERS HOME ADMINISTRATION TO RURAL DEVELOPMENT ADMINISTRATION.—The rights, in-

terests, obligations, and duties of the Farmers Home Administration arising before the date of the enactment of the Rural Economic Development Act of 1990 from any loan made, insured, or guaranteed, or any grant or contract made, by the Farmers Home Administration in the exercise of its functions shall—

(A) with respect to any function to be exercised on or after such date by the Farmers Home Administration under subsection (b), continue to be vested in the Farmers Home Administration; and

(B) with respect to any function to be exercised on or after such date by the Rural Development Administration under subsection (c), be vested in the Rural Development Administration.

(f) COMPENSATION OF ADMINISTRATOR.—The Administrator of the Rural Development Administration shall be compensated in accordance with subchapter VIII of chapter 53 of title 5, United States Code.

SEC. 360. SYSTEM FOR DELIVERY OF CERTAIN RURAL DEVELOPMENT PROGRAMS.

(a) IN GENERAL.—(1) ASSISTANCE IN ELIGIBLE STATES.—Assistance under each designated rural development program shall be provided in eligible States to qualified projects in accordance with this section.

(2) NO ASSISTANCE IN OTHER STATES.—The Secretary shall not provide assistance under any designated rural development program in any State that is not an eligible State.

(b) DEFINITIONS.—As used in this section and section 361—

(1) AREA PLAN.—The term "area plan" means, with respect to a local or regional area in a State, the long range rural development plan developed for the area. Each area plan shall identify the geographical boundaries of the area and include—

(A) an overall development plan for the area with goals, including business development and infrastructure development goals, and time lines based on a realistic assessment of the area, including, but not limited to—

(i) the number and types of businesses in the area that are growing or declining, and a list of the types of businesses that the area could potentially support;

(ii) the outstanding need for water and waste and other public services or facilities in the area;

(iii) the realistic possibilities for industrial recruitment in the area;

(iv) the potential for the development of tourism in the area;

(v) the potential for the generation of employment in the area through the creation of small businesses and the expansion of existing businesses; and

(vi) the potential for the production of value-added agricultural products in the area;

(B) an inventory and assessment of the human resources of the area, including, but not limited to—

(i) a current list of organizations in the area and their special interests;

(ii) the current level of participation of area residents in rural development activities and the level of participation required for successful implementation of the plan;

(iii) the availability of general and specialized job training in the area and the extent to which the needs of the area for such training are not being met;

(iv) a list of area residents with special skills which could be useful in developing and implementing the plan; and

(v) an analysis of the human needs of the area, the resources in the area available to meet those needs, and the manner in which the plan, if implemented, would increase the resources available to meet those needs;

(C) the current degree of intergovernmental cooperation in the area and the degree of such cooperation needed for the successful implementation of the plan;

(D) the ability and willingness of governments and citizens in the area to become involved in developing and implementing the plan;

(E) a description of how the governments in the area will apply budget and fiscal control processes to the plan; and

(F) the extent to which public services and facilities need to be improved to achieve the economic development and quality of life goals of the plan, taking into consideration, at a minimum—

(i) law enforcement;

(ii) fire protection;

(iii) water and solid waste management;

(iv) education;

(v) health care;

(vi) transportation;

(vii) housing;

(viii) communications; and

(ix) the availability of, and capability to generate, electric power.

(2) DESIGNATED RURAL DEVELOPMENT PROGRAM.—The term "designated rural development program" means a program carried out under section 304(b), 306(a), or subsection (a) through (f) and (h) of section 310B of this Act, or under section 1323 of the Food Security Act of 1985, for which funds are available at any time during the fiscal year under such section.

(3) ELIGIBLE STATE.—The term "eligible State" means a State with respect to which all of the following apply not later than the effective date of this section:

(A) ESTABLISHED RURAL ECONOMIC DEVELOPMENT REVIEW PANEL.—The State has established an advisory rural economic development review panel meeting the requirements of section 361.

(B) APPOINTED STATE COORDINATOR.—The Governor of the State has appointed an officer or employee of the State government to—

(i) manage, operate, and carry out the instructions of, the panel described in subparagraph (A); and

(ii) serve as a liaison between the panel and the Federal and State agencies involved in rural development, including transmitting to the Secretary any list transmitted to the State coordinator pursuant to section 361(b)(6).

(C) DESIGNATED AGENCY TO PROVIDE ADMINISTRATIVE SUPPORT TO PANEL.—The State has designated an agency to provide the panel and the State coordinator with support for the daily operation of the panel described in subparagraph (A).

(4) QUALIFIED PROJECT.—The term "qualified project" means any project—

(A) for which the agency described in paragraph (3)(C) of the State has identified—

(i) the alternative Federal, State, local, or private sources of assistance, and

(ii) the related activities in the State; and

(B) to which the Secretary is required by subsection (c)(4) to provide assistance.

(5) STATE COORDINATOR.—The term "State coordinator" means the individual appointed by the Governor of the State to carry out the activities described in paragraph (3)(B).

(6) STATE RURAL ECONOMIC DEVELOPMENT REVIEW PANEL.—The term "State rural economic development review panel" or "panel" means an advisory panel specified in section 361.

(c) DUTIES OF THE SECRETARY.—The Secretary shall, with respect to each eligible State—

(1) review the list, if any, transmitted pursuant to subsection 361(b)(6) by any State coordinator;

(2) determine whether each project described in an application in the list meets the requirements of the rural development program under which the application seeks assistance;

(3) remove from the list any application for a project that does not meet the requirements;

(4) provide assistance, subject to available funds, to the projects in the applications remaining in the list after the list has (if necessary) been modified pursuant to paragraph (3), giving great weight to the order in which the applications for such projects are ranked by the respective State panel, and, if assistance is provided to any project without providing assistance to all projects ranked higher in priority by the panel than such project, report to the panel, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate within 10 days of determining to fund such lower ranked project on the reasons for not assisting any project ranked higher in priority by the panel;

(5) within 30 days after the date of the enactment of any Act providing appropriations for any designated rural development program for any fiscal year, notify each State of the amounts to be made available to such State under such program for such fiscal year, and the aggregate for such fiscal year of such amounts under all the designated rural development programs;

(6) pay per diem or otherwise reimburse each full-time officer or employee of the United States who is a member of a State

rural economic development review panel for expenses incurred each day (including travel time) during which the officer or employee is engaged in the actual performance of a duty of the panel; and

(7) from amounts appropriated for grants under any provision of section 306(a), make grants not to exceed $100,000 annually to each eligible State for the administrative costs associated with the State rural economic development review panel meeting the requirements of section 361.

(d) OFFICIAL INFORMATION.—The Secretary may appoint as nonvoting members, temporarily for and specific purposes, personnel from any department or agency of the United States, with the consent of the head of such department or agency, with expertise not available among the members of any State rural economic development review panel as may be necessary to enable the panel to perform a duty described in section 361(b).

(e) ALLOCATION OF APPROPRIATED FUNDS.—(1) LIMITED TRANSFER AUTHORITY.—(A) INITIAL ALLOCATION.—The Secretary shall allocate the sums appropriated for direct loans, loan guarantees, or grants for any designated rural development program made available to the State under such program for any fiscal year to the projects specified in subsection (c)(4) giving great weight to the order in which the applications for such projects are ranked on the list specified in subsection (c)(1).

(B) TRANSFER OF FUNDS.—If the sums appropriated for direct loans, loan guarantees, or grants for any designated rural development program made available to the State under such program for the fiscal year are insufficient to enable the Secretary to provide the full amount of the assistance requested for a project specified in subsection (c)(4), the Secretary may, subject to paragraph (2), notwithstanding any provision of law relating to appropriations for any such program for the fiscal year, transfer to the program from other such programs part or all of the sums appropriated for loans, loan guarantees, or grants, as the case may be, made available to the State for such other programs for such fiscal year.

(C) LIMIT ON AMOUNT TRANSFERRED.—The amount transferred from a program under this subsection shall not exceed the amount for such program left unobligated after obligating to each project in an application ranked higher in priority on such list the full amount of assistance requested for each such project.

(2) LIMITATION ON PROGRAMS FOR WHICH MAY TRANSFER.—The Secretary may not transfer funds from one grant program to another pursuant to paragraph (1) if—

(A) the sum of—

(i) the amount of funds transferred into a program, plus

(ii) the amount of funds appropriated for such program receiving such transfer of funds for the fiscal year

exceeds the limit on the statutorily authorized amount of funds that may be appropriated for such program receiving such transfer of funds; or

(B) such transfer of funds would be made—

(i) from a grant program for which there is a limit on the statutorily authorized amount that may be appropriated for such program;

(ii) to a grant program for which there is no limit on the statutorily authorized amount that may be appropriated for such program.

(3) Equitable Reallocation of Unobligated Funds.—Notwithstanding paragraph (1), the Secretary shall, on July 15 of each year, and from time to time thereafter during the fiscal year as the Secretary determines appropriate, pool from among the States any unobligated funds appropriated for direct loans, loan guarantees, or grants for each designated rural development program and reallocate such funds to the States according to need, as determined by the Secretary.

(f) Inapplicability of Federal Advisory Committee Act.—The Federal Advisory Committee Act shall not apply to any State rural economic development review panel.

(g) No Liability of Members of State Rural Economic Development Review Panels.—The members of a State rural economic development review panel shall not be liable to any person with respect to any determination made by the panel.

(h) Eligibility for Water and Waste Facility Loans.—(1) Rural Electrification Program Borrowers.—Notwithstanding any other provision of law, a borrower under title III of the Rural Electrification Act of 1936 shall be eligible to receive loans and grants under section 306 on an equal basis with any other applicant for such assistance, and the terms and conditions, rules, criteria and other provisions of section 306 shall apply to such a borrower. In the case of applications from such a borrower, the Administrator of the Rural Electrification Administration shall provide technical assistance with respect to such water and waste facilities and loans and grants for such facilities.

(2) Prohibition on Restricting Water and Waste Facility Services to Electric Customers.—The Secretary shall establish rules and procedures that prohibit borrowers under title III of the Rural Electrification Act of 1936 from conditioning or limiting access to, or the use of, water and waste facility services financed under the Consolidated Farm and Rural Development Act if such conditioning or limiting is based on whether individuals or entities in the area served or proposed to be served by such facility receive, or will accept, electric service from such borrower.

SEC. 361. STATE RURAL ECONOMIC DEVELOPMENT REVIEW PANEL.

(a) In General.—Each State rural economic development review panel specified in section 360(b)(3)(A) shall meet all of the requirements of this section.

(b) Duties.—The panel shall advise the Secretary on the desirability of funding applications for funding from designated rural development programs, and, in developing such advice, shall have the following duties:

(1) Review rural development plans of local areas.—To review each area plan submitted by a local or regional area.

(2) Evaluate area plans and applications for assistance.—(A) Area plans.—To evaluate, pursuant to a written policy and criteria, each area plan submitted by a local or regional area and either—

(i) accept any area plan that is technically and economically adequate, feasible, and likely to succeed in meeting the stated goals of the plan, unless the plan is incompatible with any other area plan for that area that has been accepted by the panel; or

(ii) return any plan that is technically or economically inadequate, infeasible, unlikely to be successful, or incompatible with any other area plan for that area that has been accepted by the panel, with an explanation of the reasons for the return with suggested alternative proposals.

In evaluating area plans under this subparagraph, the panel shall give great weight to the area plans or other comments submitted by intergovernmental development councils, or similar organizations made up of local elected officials, charged with the responsibility for rural or regional development.

(B) APPLICATIONS FOR ASSISTANCE.—To evaluate each application for assistance to determine whether the project to be carried out in any area is compatible with the area plan for the area in which the project described in the application is proposed, and either—

(i) accept any application that the panel determines to be compatible with such area plan; or

(ii) return to the Rural Development Administration any application that the panel determines to be incompatible with such area plan.

(3) REVIEW AND RANK APPLICATIONS FOR ASSISTANCE UNDER DESIGNATED RURAL DEVELOPMENT PROGRAMS FROM AREAS WITH ACCEPTED AREA PLANS.—To review applications for assistance, that have been accepted pursuant to paragraph (2)(B), for projects to be carried out in any area the area plan for which has been accepted pursuant to paragraph (2)(A), taking into account the sources of assistance and related activities identified pursuant to section 360(b)(4)(A), and to rank such applications, subject to paragraphs (4) and (5), pursuant to a written policy and criteria, in an order that takes into account—

(A) in the case of business projects described in the application—

(i) the extent to which a project would—

"(I) stimulate rural development by creating new jobs of a permanent nature or retaining existing jobs by enabling new small businesses to be started, or existing businesses to be expanded by local or regional area residents who own and operate the businesses,

(II) contribute to the enhancement and the diversification of the local or regional area economy,

(III) generate or retain jobs for local or regional area residents,

(IV) be carried out by persons with sufficient managerial capability,

(V) be likely to become financially viable, and

(VI) assist a local or regional area in overcoming severe economic distress;

(ii) the distribution of assistance to projects in as many areas as possible in the State, with sensitivity to geographical distribution;

(iii) the technical aspect of the projects;

(iv) the market potential and marketing arrangements for the projects; and

(v) the potential of such project to promote the growth of a rural community by improving the ability of the community to increase the number of persons residing therein and by improving the quality of life of such persons; and

(B) in the case of infrastructure and community facility projects described in the applications the extent to which a project would—

(i) have the potential to promote the growth of a rural community by improving the quality of life for local or regional area residents;

(ii) affect the health and safety of local or regional area residents;

(iii) affect business productivity and efficiency;

(iv) enhance commerical business activity;

(v) have the potential to promote long-term growth, including by increasing the number of persons residing in a rural communty;

(vi) address a severe loss or lack of water quality or quantity;

(vii) bring a community into compliance with Federal or State water or waste water standards; and

(viii) consolidate water and waste systems and utilize management efficiencies in new systems.

(4) PRIORITY RANKING FOR PROJECTS ADDRESSING HEALTH EMERGENCIES.—To give priority in reviewing and ranking, notwithstanding the criteria established in paragraph (3), to applications for projects designed to address a health emergency declared to be such by the appropriate Federal or State government agency.

(5) PRIORITY BASED ON NEED.—If in ranking applications pursuant to paragraphs (3) and (4), 2 or more applications are determined to have comparable strengths in their feasibility and potential for growth, to give priority to the applications for projects for which there is the greatest need.

(6) TRANSMIT LIST OF RANKED APPLICATIONS.—To transmit to the State coordinator a list of all applications received and indicate on the list—

(A) for all applications accepted, the rank of such applications in accordance with paragraphs (3), (4) and (5); and

(B) for all applications returned, the fact that the application was returned pursuant to paragraph (2)

and instruct the State coordinator to transmit the list to the Secretary.

(7) AVAILABILITY OF LIST OF RANKED APPLICATIONS.—To make available to the public the list of ranked applications submitted under paragraph (6) and to provide a brief explanation and jus-

tification of why the project applications received their prioritization.

(8) ESTABLISHMENT AND REVIEW OF WRITTEN POLICY AND CRITERIA FOR EVALUATING AND RANKING APPLICATIONS.—To establish and annually review the written policy and criteria used by the panel in evaluating and ranking applications in accordance with this subsection to ensure that the policy and criteria are consistent with current rural development needs, and to provide for public input during the development of the initial policy and criteria.

(c) MEMBERSHIP.—(1) VOTING MEMBERS.—The panel shall be composed of not more than 16 voting members who are representatives of rural areas—

(A) 1 of whom is the Governor of the State or the person designated by the Governor to serve on the panel on behalf of the Governor for that year;

(B) 1 of whom is the director of the State agency responsible for economic and community development or the person designated by the director to serve on the panel on behalf of the director for that year;

(C) 1 of whom is appointed by a statewide association of banking organizations;

(D) 1 of whom is appointed by a statewide association of investor-owned utilities;

(E) 1 of whom is appointed by a statewide association of rural telephone cooperatives;

(F) 1 of whom is appointed by a statewide association of noncooperative telephone companies;

(G) 1 of whom is appointed by a statewide association of rural electric cooperatives;

(H) 1 of whom is appointed by a statewide association of health care organizations;

(I) 1 of whom is appointed by a statewide association of existing local government-based planning and development organizations;

(J) 1 of whom is appointed by the Governor from a statewide rural development organization that is not described in any of subparagraphs (C) through (I), but if no such statewide organization exists, there shall be no appointment made under this subparagraph and, notwithstanding paragraph (1), the panel shall be composed of not more than 15 voting members who are representatives of rural areas;

(K) 1 of whom is appointed by a statewide association of counties;

(L) 1 of whom is appointed by a statewide association of towns and townships, or by a statewide association of municipal leagues, as determined by the Governor;

(M) 1 of whom is appointed by a statewide association of rural water districts;

(N) the State director of the Federal small business development center (or, if there is no small business development center in place with respect to the State, the director of the State office of the Small Business Administration);

(O) the representative for that State of the Economic Development Administration of the Department of Commerce; and

(P) 1 of whom is appointed by the Secretary from among the officers and employees of the Federal Government.

(2) NONVOTING MEMBERS.—The panel shall have not more than 4 nonvoting members who shall serve in an advisory capacity and are representatives of rural areas—

(A) 1 of whom is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of business of the colleges and universities in the State;

(B) 1 whom is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of engineering of the colleges and universities in the State;

(C) 1 of whom is appointed by the Governor, from names submitted by the dean, or the equivalent official, of each school or college of agriculture of the colleges or universities in the State; and

(D) the director of the State agency responsible for extension services for the State.

(3) APPOINTMENT OF REPRESENTATIVES OF STATEWIDE ORGANIZATIONS BY THE GOVERNOR IN CERTAIN CASES.—(A) If there is no statewide association or organization described in subparagraph (C), (D), (E), (F), (G), (H), (I), (K), (L), or (M) of paragraph (1) of the entities described in such subparagraph, the Governor of the State shall appoint an individual to fill the position or positions, as the case may be, described in the applicable subparagraph from among nominations submitted by local groups of such entities.

(B) If there is more than one of the statewide associations or organizations described in subparagraph (C), (D), (E), (F), (G), (H), (I), (K), (L), or (M) of paragraph (1) of the entities described in such subparagraph, the Governor shall select which organization shall name a member. The Governor shall rotate such selection among such associations or organizations such that a representative of the selected association or organization shall serve no more than 2 years before another such association or organization is selected by the Governor.

(d) NOTIFICATION.—Each statewide organization that selects an individual to represent the organization on the panel shall have notified the Governor of the State of the selection.

(e) QUALIFICATIONS OF PANEL MEMBERS APPOINTED BY THE GOVERNOR.—Each individual appointed to the panel by the Governor of the State will be specially qualified to serve on the panel by virtue of the individual's technical expertise in business and community development.

(f) VACANCIES.—A vacancy on the panel shall be filled in the manner in which the original appointment was made.

(g) CHAIRPERSON AND VICE CHAIRPERSON.—The panel shall have elected 2 members of the panel who are not officers or employees of the United States to serve as the chairperson and vice chairperson of the panel for a term of 1 year.

(h) NO COMPENSATION FOR FEDERAL MEMBERS.—Except as provided in section 360(c)(6), each member of the panel who is an officer or employee of the Federal Government may not receive any compensation or benefits, in addition to that which such officer or employee

receives for performance of such officer or employee's regular employment, by reason of service on the panel.

(i) RULES GOVERNING PANEL MEETINGS.—

(1) QUORUM.—A majority of the members of the panel shall constitute a quorum for the purpose of conducting business of the panel.

(2) FREQUENCY OF MEETINGS.—The panel shall meet not less frequently than quarterly.

(3) FIRST MEETING.—The State coordinator shall schedule the first panel meeting.

(4) RECORDS OF MEETINGS.—The panel shall keep records of the minutes of the meetings, deliberations, and evaluations of the panel, in sufficient detail to enable the panel to provide to interested persons the reasons for its actions.

TITLE 18, UNITED STATES CODE

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CHAPTER 31—EMBEZZLEMENT AND THEFT

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§ 657. Lending, credit and insurance institutions

Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Coropration, National Credit Union Administration, Home Owners' Loan Corporation, Farm Credit Administration, Department of Housing and Urban Development, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the [Farmers' Home Administration] or *Farmers' Home Administration, the Rural Development Administration,* or the Farm Credit System Insurance Corporation, a Farm Credit Bank, a bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States or any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, or by the National Credit Union Administration Board or any small business investment company, and whoever, being a receiver of any such institution, or agent or employee of the receiver, embezzles, abstracts, purloins or willfully misapplies any moneys, funds, credits, securities or other things of value belonging to such institution, or pledged or otherwise intrusted to its care, shall be fined not more than $1,000,000 or imprisoned not more than 20 years, or both; but if the amount or value embezzled, abstracted, purloined or misapplied does not exceed $100, he shall be fined not more than $1,000 or imprisoned not more than one year, or both.

§ 658. Property mortgaged or pledged to farm credit agencies

Whoever, with intent to defraud, knowingly conceals, removes, disposes of, or converts to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the [Farmers' Home Administration] *Farmers Home Administration, the Rural Development Administration,* any production credit association organized under sections 1131-1134m of Title 12, any regional agricultural credit corporation, or any bank for cooperatives, shall be fined not more than $5,000 or imprisoned not more than five years, or both; but if the value of such property does not exceed $100, he shall be fined not more than $1,000 or imprisoned not more than one year, or both.

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CHAPTER 47—FRAUD AND FALSE STATEMENTS

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§ 1006. Federal credit institution entries, reports and transactions

Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, National Credit Union Administration, Home Owners' Loan Corporation, Farm Credit Administration, Department of Housing and Urban Development, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the [Farmers' Home Administration] *Farmers' Home Administration, the Rural Development Administration,* or the Farm Credit System Insurance Corportion, a Farm Credit Bank, a bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States or any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, or by the National Credit Union Administration Board or any small business investment company, with intent to defraud any such institution or any other company, body politic or corporate, or any individual, or to deceive any officer, auditor, examiner or agent of any such institution or of department or agency of the United States, makes any false entry in any book, report or statement of or to any such institution, or without being duly authorized, draws any order or bill of exchange, makes any acceptance, or issues, puts forth or assigns any note, debenture, bond or other obligation, or draft, bill of exchange, mortgage, judgment, or decree, or, with intent to defraud the United States or any agency thereof, or any corporation, institution, or association referred to in this section, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, institution, or association, shall be fined not more than $1,000,000 or imprisoned not more than 20 years, or both.

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§ 1014. Loan and credit applications generally; renewals and discounts; crop insurance

Whoever knowingly makes any false statement or report, or willfully overvalues any land, property or security, for the purpose of influencing in any way the action of the Reconstruction Finance Corporation, Farm Credit Administration, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the [Farmers' Home Administration] *Farmers' Home Administration, the Rural Development Administration,* any Farm Credit Bank, production credit association, agricultural credit association, bank for cooperatives, or any division, officer, or employee thereof, or any regional agricultural credit corporation established pursuant to law, or of the National Agricultural Credit Corporation, a Federal land bank, a Federal land bank association, a Federal Reserve bank, a small business investment company, a Federal credit union, an insured State-chartered credit union, any institution the accounts of which are insured by the Federal Deposit Insurance Corporation, the Federal Home Loan Bank System, the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the Farm Credit System Insurance Corporation, or the National Credit Union Administration Board, upon any application, advance, discount, purchase, purchase agreement, repurchase agreement, commitment, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be fined not more than $1,000,000 or imprisoned not more than 20 years, or both.

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COMMUNITY ECONOMIC DEVELOPMENT ACT OF 1981

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DEVELOPMENT LOAN FUND

SEC. 623. (a) * * *

* * * * * * *

(c)(1) * * *

(2) The Rural Development Loan Fund shall consist of the remaining funds provided for in part A of title III of the Economic Opportunity Act of 1964, as in effect on September 19, 1972, and such amounts as may be deposited in such fund by the Secretary out of funds made available from appropriations for purposes of carrying out this part. The Secretary shall utilize the services of the Farmers' Home Administration, *or the Rural Development Administration* in administering such fund.

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[DEPARTMENT OF AGRICULTURE AND FARMERS HOME ADMINISTRATION PROGRAMS]

DEPARTMENT OF AGRICULTURE; RURAL DEVELOPMENT ADMINISTRATION PROGRAMS

SEC. 628. The Secretary of Agriculture or, where appropriate, the Administrator of the Farmers Home Administration, *or of the Rural Development Administration,* after consultation with the Secretary of Health and Human Services, shall take all necessary steps to ensure that community development corporations and local cooperative associations shall qualify for and shall receive—

(1) such assistance in connection with housing development under the Housing Act of 1949, as amended:

(2) such assistance in connection with housing, business, industrial, and community development under the Consolidated Farmers Home Administration Act of 1961 and the Rural Development Act of 1972; and

(3) such further assistance under all such programs of the United States Department of Agriculture; as shall further the purposes of this subchapter.

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RURAL ELECTRIFICATION ACT OF 1936

TITLE I

* * * * * * *

SEC. 12. *(a)* The administrator is authorized and empowered to extend the time of payment of interest or principal of any loans made by the Administrator pursuant to this Act: *Provided, however,* That with respect to any loan made under section 4 *or section 201,* the payment of interest or principal shall not be extended more than five years after such payment shall have become due, and with respect to any loan made under section 5, the payment of principal or interest shall not be extended more than two years after such payment shall have become due: *And provided further,* That the provisions of this section shall not apply to any obligations or the security therefor which may be held by the Reconstruction Finance Corporation under the provisions of section 3.

(b)(1) The Administrator shall permit any borrower to defer the payment of principal and interest on any insured or direct loan made under this act under circumstances described in this subsection, notwithstanding any limitation contained in subsection (a), except that such deferment shall not be permitted based on the determination of the Administrator of the financial hardship of the borrower.

(2)(A) In the case of deferments made to enable the borrower to provide financing to local businesses, the deferment shall be repaid in equal installments, without the accrual of interest, over the 60-month period beginning on the date of the deferment, and the total amount of such payments shall be equal to the amount of the payment deferred.

(B) In the case of deferments made to enable the borrower to provide community development assistance, technical assistance to

businesses, or similar community, business, or economic development assistance, the deferment shall be repaid in equal installments, without the accrual of interest, over the 120-month period beginning on the date of the deferment, and the total amount of such payments shall be equal to the amount of the payment deferred.

(3)(A) A borrower may defer its debt service payments only in an amount equal to an investment made by such borrower as described in paragraph (2).

(B) The amount of the deferment shall not exceed 50 percent of the cost of financing or assistance provided under paragraph (2).

(C) The total amount of deferments under this subsection during each of the fiscal years 1990 through 1993 shall not exceed 3 percent of the total payments due during such fiscal year from all borrowers on direct and insured loans made under this Act and shall not exceed 5 percent of such total payments due in each subsequent fiscal year.

(D) At the time of a deferment, the borrower shall make a payment to a cushion of credit account established and maintained pursuant to section 313 in an amount equal to the amount of the payment deferred. The balance of such account shall not be reduced by the borrower below the level of the unpaid balance of the payment deferred. Subject to limitations established in annual appropriations Acts, such cushion of credit amounts and any other cushion of credit and advance payments of any borrower shall be included in the interest differential calculation under section 313(b)(2)(A).

(4) The Administrator shall undertake all reasonable efforts to permit the full amount of deferments authorized by this subsection during each fiscal year.

* * * * * * *

SEC. 17. TECHNICAL ASSISTANCE UNIT.

(a) ESTABLISHMENT.—The Administrator shall establish a technical assistance unit to perform the duties described in subsection (b).

(b) DUTIES.—The technical assistance unit established under subsection (a) shall—

(1) provide advice and guidance to electric and telephone borrowers under this Act concerning the effective and prudent use by such borrowers of the investment authority under section 312 to promote rural development;

(2) provide technical advice, troubleshooting, and guidance concerning the operation of programs or systems that receive assistance under this Act;

(3) establish and administer various pilot projects through electric and telephone borrowers that the Administrator determines are useful or necessary, and recommend specific rural development projects for rural areas;

(4) act as an information clearinghouse (using, to the extent practicable, the resources of the National Agricultural Library) and conduit to provide information to electric and telephone borrowers under this Act concerning useful and effective rural development efforts that such borrowers may wish to apply in their areas of operation and concerning State, regional, or local plans for long-term rural economic development;

(5) provide information to electric and telephone borrowers under this Act concerning the eligibility of such borrowers to apply for financial assistance, loans, or grants from other Federal agencies and non-Federal sources to enable such borrowers to expand their rural development efforts; and

(6) promote local partnerships and other coordination between borrowers under this Act and community organizations, State counties, or other entities, to improve rural development.

(c) FUNDING.—Not less than 3 percent of the salaries and expenses of the Rural Electrification Administration shall be made available during each fiscal year to the technical assistance unit established in this section.

SEC. 18. GENERAL PROHIBITIONS.

The Administrator and the Governor of the telephone bank shall not—

(1) deny or reduce any loan or loan advance under this Act based on a borrower's level of general funds; or

(2) make any loan or grant, or provide any guarantee, under this Act to any borrower of a telephone loan (or any subsidiary or affiliate of such a borrower of an electric loan(or any subsidiary or affiliate of such a borrowr) for electric service to others, or to any borrower) for telephone service to others (except that this prohibition shall not apply to loans, grants, or guarantees for telephone service between the borrower and others) unless—

(A) the borrower has obtained a certificate of convenience and necessity from, or otherwise obtained the consent of, the State regulatory authority with jurisdiction over the provision of such service; and

(B) the Administrator or the Governor, as the case may be, has determined (and set forth the reasons therefor in writing) that such loan or grant will not be used to duplicate any lines, facilities, or systems.

TITLE II

SEC. 201. From such sums as are from time to time made available by the Congress to the Administrator for such purpose, pursuant to section 3 of the Rural Electrification Act of 1936, as amended, the Administrator is authorized and empowered to make loans to persons now providing or who may hereafter provide telephone service in rural areas, to public bodies now providing telephone service in rural areas and to cooperative, nonprofit, limited dividend, or mutual associations. Except as otherwise provided by this title, such loans shall be made under the same terms and conditions as are provided in section 4 of said Act, for the purpose of financing the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems to furnish and improve telephone service in rural areas: *Provided, however,* That the Administrator, in making such loans, shall give preference to persons providing telephone service in rural areas, to public bodies now providing telephone service in rural areas, and to cooperative, nonprofit, limited dividend, or mutual associations: *And provided further,* That for a period of one year from and after the effective date of this title applications for loans received by the

Administrator from persons who on the effective date of this title are engaged in the operation of existing telephone service in rural areas shall be considered and acted upon before action is taken upon any application received from any other person for any loan to finance the furnishing or improvement of telephone service to substantially the same subscribers. The Administrator in making such loans shall, insofar as possible, obtain assurance that the telephone service to be furnished or improved thereby will be made available to the widest practical number of rural users. When it is determined by the Administrator to be necessary in order to furnish or improve telephone service in rural areas, such loans may be made for the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems without regard to their geographical location. The Administrator is further authorized and empowered to make loans for the purpose of refinancing outstanding indebtedness of persons furnishing telephone service in rural areas: *Provided,* That such refinancing shall be determined by the Administrator to be necessary in order to furnish and improve telephone service in rural areas: *And provided further,* That such refinancing shall constitute not more than 40 per centum of any loan made under this title. Loans under this section shall not be made unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed, nor shall such loan be made in any State which now has or may hereafter have a State regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained. ⟦In a State in which there is no such agency or regulatory body legally authorized to issue such certificates to the applicant, no loan shall be made under this section unless the Administrator shall determine (and set forth his reasons therefor in writing) that no duplication of lines, facilities, or systems, providing reasonably adequate services will result therefrom.⟧ *The Administrator and the Governor of the telephone bank shall not make or guarantee a loan, or make a grant, for telephone purposes under this Act if the loan, guarantee, or grant would result in the duplication of lines, facilities, or systems that provide reasonably adequate service. For purposes of this Act, the term "duplication" does not include upgrading.*

SEC. 203. (a) As used in this title, the term "telephone service" shall be deemed to mean any communication service for the transmission *or reception* of voice, *data,* sounds, signals, pictures, writing, or signs of all kinds ⟦through the use of electricity between the transmitting and receiving apparatus⟧ *by wire, fiber, radio, light, or other visual or electromagnetic means,* and shall include all telephone lines, facilities, or systems used in the rendition of such service; but shall not be deemed to mean message telegram service or community antenna television system services or facilities other than those intended exclusively for educational purposes, or radio broadcasting services or facilities within the meaning of section 3(o) of the Communications Act of 1934, as amended.

(b) As used in this title, the term "rural area" shall be deemed to mean any area of the United States not included within the bound-

aries of any incorporated or unincorporated city, village, or borough having a population in excess of one thousand five hundred inhabitants.

SEC. 204. LOAN FEASIBILITY.

The Administrator and the Governor of the telephone bank may not, as a condition of making a telephone loan to an applicant therefor, require the applicant to—

(1) increase the rates charged to the applicant's customers or subscribers; or

(2) increase the applicant's ratio of—

(A) net income or margins before interest; to

(B) the interest requirements on all of the applicant's outstanding and proposed loans.

SEC. 205. CERTAIN RURAL DEVELOPMENT INVESTMENTS BY QUALIFIED TELEPHONE BORROWERS NOT TREATED AS DIVIDENDS OR DISTRIBUTIONS.

(a) IN GENERAL.—The Administrator and the Governor of the telephone bank shall not—

(1) treat any amount invested by any qualified telephone borrower for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee, or advance made to, an affiliated company of the borrower, that is used by such company for such a purpose) as a dividend or distribution of capital to the extent that, immediately after such investment, the aggregate of such investments does not exceed ⅓ of the net worth of the borrower; or

(2) require a qualified telephone borrower to obtain the approval of the Administrator or the Governor of the telephone bank in order to make an investment described in paragraph (1).

(b) QUALIFIED TELEPHONE BORROWER DEFINED.—As used in subsection (a), the term "qualified telephone borrower" means a person—

(1) to whom a telephone loan has been made or guaranteed under this Act; and

(2) whose net worth is least 20 percent of the total assets of such person.

SEC. 206. GENERAL DUTIES AND PROHIBITIONS.

(a) DUTIES.—The Administrator and the Governor of the telephone bank shall—

(1) nothwithstanding section 553(a)(2) of title 5, United States Code, cause to be published in the Federal Register, in accordance with subsections (b) through (e) of section 553 of such title, all rules, regulations, bulletins, and other written policy standards governing the operations of the telephone loan and loan guarantee programs administered under this Act;

(2) in evaluating the feasibility of a telephone loan to be made to a borrower for telephone services, use the depreciation rates used to compile the most recent report of the borrower's operations filed by the borrower with the Rural Electrification Administration, or, in the absence of such a report, the rates used by the borrower to calculate depreciation expenses in the

most recent return of Federal income taxes (including information returns) filed by the borrower with the Internal Revenue Service; and

(3) make loans for all purposes for which telephone loans are authorized under section 201 or 408, to the extent of qualifying applications therefor.

(b) Prohibitions.—The Administrator and the Governor of the telephone bank shall not—

(1) rescind an insured telephone loan, or a Rural Telephone Bank loan, made under this Act without the consent of the borrower, unless all of the purposes for which telephone loans have been made to the borrower under this Act have been accomplished with funds provided under this Act;

(2) regulate the order or sequence of advances of funds under telephone loans made under this Act to any borrower who has received any combination of telephone loans from the Rural Electrification Administration, the Rural Telephone Bank, or the Federal Financing Bank; or

(3) deny a loan or advance to, or take any other adverse action against, an applicant for, or a borrower of, a telephone loan under this Act for any reason that is not based on a rule, regulation, bulletin, or other written policy standard that has not been published pursuant to section 553 of title 5, United States Code.

SEC. 207. PROMPT PROCESSING OF TELEPHONE LOANS.

Within 10 days after the end of the second and fourth calendar quarters of each year, the Administrator shall submit to the Committee on Agriculture and the Committee on Appropriations of the House of Representatives, and to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Appropriations of the Senate, a report—

(1) identifying each completed application for a telephone loan under section 305, a guarantee of a telephone loan under section 306, or a loan under section 408, that has not been finally acted upon within 90 days after the date the completed application is submitted; and

(2) stating the reasons for the failure to finally act upon the completed applications within such 90-day period.

TITLE III

* * * * * * *

SEC. 302. LIABILITIES AND USES OF FUND.—(a) * * *

* * * * * * *

(c)(1) The Administrator shall maintain 2 separate accounts within the fund, which shall be known as the electric account and the telephone account, respectively.

(2)(A) The Administrator shall account for the assets, liabilities, income, expenses, and equity of the fund attributable to electrification loan operations in the electric account.

(B) The Administrator shall account for the assets, liabilities, income, expenses, and equity of the fund attributable to telephone loan operations in the telephone account.

(3)(A) The assets accounted for in the electric account shall be available solely for electrification loan operations under this Act.

(B) The assets accounted for in the telephone account shall be available solely for telephone loan operations under this Act (other than under title IV).

* * * * * * *

SEC. 305. INSURED LOANS; INTEREST RATES AND LENDING LEVELS.—(a) * * *

* * * * * * *

(d) The Administrator shall make a telephone loan under this title to an applicant therefor who is otherwise qualified to receive such a loan at the highest interest rate (but not less than the lowest interest rate, nor higher than the highest interest rate, specified in subsection (b)) at which the borrower would be capable of producing net income or margins before interest payments of at least 100 percent (but not more than 150 percent) of the interest requirements on all of the applicant's outstanding and proposed loans.

SEC. 306. GUARANTEED LOANS; ACCOMMODATION AND SUBORDINATION OF LIENS.—The Administrator may provide financial assistance to borrowers for purposes provided in the Rural Electrification Act of 1936, as amended, by guaranteeing loans, in the full amount thereof, made by the Rural Telephone Bank, National Rural Utilities Cooperative Finance Corporation, and any other legally organized lending agency, or by accommodating or subordinating liens or mortgages in the fund held by the Administrator as owner or as trustee or custodian for purchases of notes from the fund, or by any combination of such guarantee, accommodation, or subordination. *The Administrator shall not provide such assistance to any borrower of a telephone loan under this Act unless the borrower specifically applies for such assistance.* No fees or charges shall be assessed for any such guarantee, accommodation, or subordination. With respect to guarantees issued by the Administrator under this section, on the request of the borrower of any such loan so guaranteed, the loan shall be made by the Federal Financing Bank and at a rate of interest that is not more than the rate of interest applicable to other similar loans then being made or purchased by the Bank. Guaranteed loans shall bear interest at the rate agreed upon by the borrower and the lender. Guaranteed loans, and accommodation and subordination of liens or martgages, may be made concurrently with an insured loan. The amount of guaranteed loans shall be subject only to such limitations as to amounts as may be authorized from time to time by the Congress of the United States: *Provided*, That any amounts guaranteed hereunder shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States. As used in this title a guaranteed loan is one which is initially made, held, and serviced by a legally organized lending agency and which is guaranteed by the Administrator hereunder. A guaranteed loan, including the related guarantee, may be assigned to the extent provided in the contract of guarantee executed by the Administrator under this title; the assignability of such loan and guarantee shall be governed exclusively by said contract of guarantee.

* * * * * * *

SEC. 309. LOAN TERMS AND CONDITIONS.—*(a)* Loans made from or insured through the fund shall be for the same purposes and on the same terms and conditions as are provided for loans in titles I and II of this Act except as otherwise provided in sections 303 to 308 inclusive.

(b) The term of any telephone loan made under this title shall be determined by the borrower at the time the loan is made.

* * * * * * *

TITLE IV

* * * * * * *

[SEC. 405. BOARD OF DIRECTORS.—(a) The management of the telephone bank, within the limitations prescribed by law, shall be vested in a board of directors (herein called the Telephone Bank Board) consisting of thirteen members.

[(b) The Administrator of the Rural Electrification Administration and the Governor of the Farm Credit Administration shall be members of the Telephone Bank Board. Five other members of the Telephone Bank Board shall be designated by the President to serve at his pleasure, three of whom shall be officers or employees of the Department of Agriculture but not officers or employees of the Rural Electrification Administration, and two of whom shall be from the general public and not officers or employees of the Federal Government. The Administrator and other officers and employees of the Department of Agriculture and the Governor of the Farm Credit Administration shall serve as members without additional compensation.

[(c) As soon as practicable after enactment of this title, the President of the United States shall appoint six additional members of the initial Telephone Bank Board to be selected from the directors, managers, and employees of any entities eligible to borrow from the telephone bank and of organizations controlled by such entities, with due regard to fair representation of the rural telephone systems of the Nation. The six members thus appointed shall serve until their successors shall have been duly elected in accordance with subsection (d).

[(d) Within twelve months following the appointment of the six members of the initial Board as provided in subsection (c), the Governor of the telephone bank shall call a meeting of all entities then eligible to borrow from the telephone bank and organizations controlled by such entities for the purpose of electing members of the Telephone Bank Board. Each such entity and organization shall be entitled to notice of and shall have one noncumulative vote at said meeting. Six members of the Telephone Bank Board shall be elected for a two-year term, three from among the directors, managers, and employees of cooperative-type entities eligible to vote and organizations controlled by such entities, and three from among the managers, directors, and employees of commercial-type entities eligible to vote and organizations controlled by such entities. These six members shall be elected by majority vote of the entities and organizations eligible to vote and such entities and organizations may vote by proxy.

[(e) Thereafter, the cooperative-type entities and organizations holding class B and class C stock, voting as a separate class, shall elect three directors to represent their class by a majority vote of the stock-holders voting in such class; and the commercial-type entities and organizations holding class B and class C stock, voting as a separate class, shall elect three directors to represent their class by a majority vote of the stockholders voting in such class. Limited proxy voting may be permitted, as authorized by the bylaws of the telephone bank. Cumulative voting shall not be permitted.

[(f) Any Telephone Bank Board member may continue to serve after the expiration of the term for which he is elected until his successor has been elected and has qualified. Telephone Bank Board members designated from the general public, pursuant to subsection (b), or appointed or elected pursuant to subsections (c), (d), and (e), shall receive $100 for each day or part thereof, not to exceed one hundred days per year for the first three years after enactment of this title and not to exceed fifty days per year thereafter, spent in the performance of official duties, and shall be reimbursed for travel and other expenses in such manner and subject to such limitations as the Telephone Bank Board may prescribe.]

SEC. 405. BOARD OF DIRECTORS.

(a) In General.—The management of the telephone bank, within the limitations prescribed by law, shall be vested in a board of directors (in this title referred to as the Telephone Bank Board).

(b) Membership.—The Telephone Bank Board shall consist of 13 individuals, as follows:

(1) Presidential appointees.—The President shall appoint 7 individuals to serve on the Telephone Bank Board who shall serve at the pleasure of the President—

(A) 5 of whom shall be officers or employees of the Department of Agriculture and not officers or employees of the Rural Electrification Administration; and

(B) 2 of whom shall be from the general public and not officers or employees of the Federal Government.

(2) Cooperative members.—The cooperative-type entities, and organizations controlled by such entities, that hold class B or class C stock shall elect 3 individuals to serve on the Telephone Bank Board for a term of 2 years, by a plurality vote of the stockholders voting in the election.

(3) Commercial Members.—The commercial-type entities, and the organizations controlled by such entities, that hold class B or class C stock shall elect 3 individuals to serve on the Telephone Bank Board for a term of 2 years, by a plurality vote of the stockholders voting in the election.

(c) Elections.—(1) Validity.—An election under paragraph (2) or (3) of subsection (b) shall not be considered valid unless a majority of the stockholders eligible to vote in the election have voted in the election.

(2) Balloting.—Balloting in an election under paragraph (2) or (3) of subsection (b) shall be conducted by mail pursuant to the procedures authorized in the bylaws of the telephone bank.

(3) No Cumulative Voting.—Cumulative voting shall not be permitted in any election under paragraph (2) or (3) of subsection (b).

(d) Compensation.—(1) In General.—Except as provided in paragraph (2), each member of the Telephone Bank Board shall receive $100 per day for each day or part thereof, not to exceed 50 days per year, spent in the performance of their official duties, and shall be reimbursed for travel and other expenses in such manner and subject to such limitations as the Telephone Bank Board may prescribe.

(2) Exceptions.—The 5 members of the Telephone Bank Board appointed under subsection (b)(1)(A) shall not receive compensation by reason of their service on the Telephone Bank Board.

(e) Succession.—A member of the Telephone Bank Board may serve after the expiration of the term of office of such member until the successor for such member has taken office.

(f) Chairperson.—The members of the Telephone Bank Board shall elect 1 of such members to be the Chairperson of the Board, in accordance with the bylaws of the telephone bank. The Chairperson shall preside at all meetings of the Board and may vote on a matter before the Board unless the vote would result in a tie vote on the matter.

[(g) The**]** *(g) Bylaws.—The* Telephone Bank Board shall prescribe bylaws, not inconsistent with law, regulating the manner in which the telephone bank's businesses shall be conducted, its directors and officers elected, its stock issued, held, and disposed of, its property transferred, its bylaws amended, an the powers and privileges granted to it by law exercised and enjoyed.

[(h) The**]** *(h) Meetings.—The* Telephone Bank Board shall meet at such times and places as it may fix and determine, but shall hold at least four regularly scheduled meetings a year, and special meetings may be held on call in the manner specified in the bylaws of the telephone bank.

[(i) The**]** *(i) Annual Report.—The* Telephone Bank Board shall make an annual report to the Secretary for transmittal to the Congress on the administration of this title IV and any other matters relating to the effectuation of the policies of title IV, including recommendations for legislation.

(j) Open Meetings.—For purposes of section 552b of title 5, United States Code, the Telephone Bank Board shall be treated as an agency within the meaning of subsection (a)(1) of such section.

Sec. 406. Capitalization.—(a) The telephone bank's capital shall consist of capital subscribed by the United States, by borrowers from the telephone bank, by corporations and public bodies eligible to become borrowers from the telephone bank, and by organizations controlled by such borrowers, corporations, and public bodies. Beginning with the fiscal year 1971 and for each fiscal year thereafter **[**but not later than fiscal year 1991**]**, the United States shall furnish capital for the purchase of class A stock and there are hereby authorized to be appropriated such amounts, not to exceed $30,000,000 annually, for such purchases until such class A stock shall equal $600,000,000: *Provided*, That on or before July 1, 1975, the secretary shall make a report to the President for transmittal to the Congress on the status of capitalization of the telephone bank by the United States with appropriate recommendations. As used in this section and section 301, the term "net collection proceeds" shall be deemed to mean payments from and after July 1, 1969, of principal and interest on loans heretofore or hereafter made under section 201 of this Act, less an amount representing interest payable to the Secretary of the Treasury on loans to the Administrator for telephone purposes pursuant to section 3(a) of this Act.

* * * * * * *

(d) Class B stock shall be held only by recipients of loans under section 408 of this Act. Borrowers receiving loan funds pursuant to section 408(a) (1) or (2) shall be required to invest in class B stock 5 per centum of the amount of loan funds so provided, *by paying an amount equal to 5 percent of the amount of each loan advance, at the time of such advance.* No dividends shall be payable on class B stock. All holders of class B stock shall be entitled to patronage refunds in class B stock under terms and conditions to be specified in the bylaws of the telephone bank.

* * * * * * *

(h) There is hereby established in the telephone bank a reserve for losses due to interest rate fluctuations. Within 30 days after the date of the enactment of this subsection, the Governor of the telephone bank shall transfer to the reserve for losses due to interest rate fluctuations all amounts in the reserve for contingencies as of the date of the enactment of this subsection. *All amounts so transferred shall not be transferred, directly or indirectly, to the reserve for contingencies.* Amounts in the reserve for interest rate fluctuations may be expended only to cover operating losses of the telephone bank (other than losses attributable to loan defaults) and only after taking into consideration any recommendations made by the General Accounting Office under section 1413(b) of the [Rural Telephone Bank Borrowers Fairness] *Omnibus Budget Reconciliation* Act of 1987.

* * * * * * *

SEC. 408. LENDING POWER.—(a) The Governor of the telephone bank [is authorized on behalf of the telephone bank to make loans,] *shall make loans on behalf of the telephone bank, to the extent that there are qualifying applications therefor, subject only to limitations as to amounts authorized for loans and advances as may be imposed by law enacted by the Congress of the United States for loans to be made in any one year, and* in conformance with policies approved by the Telephone Bank Board, to corporations and public bodies which have received a loan or loan commitment pursuant to section 201 of this Act, or which have been certified by the Administrator to be eligible for such a loan or loan commitment, (1) for the same purposes and under the same limitations for which loans may be made under section 201 of this Act, (2) for the purposes of financing, or refinancing, the construction, improvement, expansion, acquisition, and operation of telephone lines, facilities, or systems, in order to improve the efficiency, effectiveness, or financial stability of borrowers financed under sections 201 and 408 of this Act, and (3) for the purchase of class B stock required to be purchased under section 406(d) of this Act but not for the purchase of class C stock, subject, as to the purposes set forth in (2) hereof, to the following provisos: That in the case of any such loan for the acquisition of telephone lines, facilities, or systems, the acquisition shall be approved by the Secretary, the location and character thereof shall be such as to improve the efficiency, effectiveness, or financial stability of the telephone system of the borrower, and in respect of exchange facilities for local services, the size of each acquisition shall not be greater than the borrower's existing system at the time it receives its first loan from the telephone bank, taking into account the number of subscribers served, miles of line, and plant investment. Loans and advances made under this section shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

(b) Loans under this section shall be on such terms and conditions as the Governor of the telephone bank shall determine, subject, however, to the following restrictions:

(1) * * *

* * * * * * *

(3)(A) * * *

(B) On and after the date of the enactment of this [paragraph,] *subparagraph,* advances made on or after such date of enactment under loan commitments made on or after October 1, 1987, shall bear interest at the rate determined under subparagraph (C), but in no event at a rate that is less than 5 percent per annum.

* * * * * * *

(D) Within 30 days after the end of each fiscal year, the Governor shall determine to the nearest 0.01 percent the cost of money rate for the fiscal year, by calculating the sum of the results of the following calculations:

(i) The aggregate of all amounts received by the telephone bank during the fiscal year from the issuance of class A stock, multiplied by the rate of return payable by the telephone bank during the fiscal year, as specified in section 406(c), to holders of class A stock, which product is divided by the aggregate of the amounts advanced by the telephone bank during the fiscal year.

(ii) The aggregate of all amounts received by the telephone bank during the fiscal year from the issuance of class B stock, multiplied by the rate at which dividends are payable by the telephone bank during the fiscal year as specified in section 406(d), to holders of class stock, which product is divided by the aggregate of the amounts advanced by the telephone bank during the fiscal year. *For purposes of the calculation under this subparagraph, such rate shall be zero.*

* * * * * * *

(E) For purposes of subparagraph (D)(II), the cost of money rate for the fiscal years in which each advance was made shall be as set forth in the following table:

For advances made in—	The cost of money rate shall be—
Fiscal year 1974	5.01 percent
Fiscal year 1975	5.85 percent
Fiscal year 1976	5.33 percent
Fiscal year 1977	5.00 percent
Fiscal year 1978	5.87 percent
Fiscal year 1979	5.93 percent
Fiscal year 1980	8.10 percent
Fiscal year 1981	9.46 percent
Fiscal year 1982	8.39 percent
Fiscal year 1983	6.99 percent
Fiscal year 1984	6.55 percent
Fiscal year 1985	5.00 percent
Fiscal year 1986	5.00 percent
Fiscal year 1987	5.00 percent

For purposes of this [subparagraph] *paragraph,* the term "fiscal year" means the 12-month period ending on September 30 of the designated year.

* * * * * * *

(5) No loan shall be made in any State which now has or may hereafter have a State regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained. [In a State in which there is no such agency or regulatory body legally authorized to issue such certificates to the applicant, no loan shall be made under this section unless the Governor of the telephone bank shall determine (and set forth his reasons therefor in writing) that no duplication of lines, facilities, or systems, providing reasonably adequate services will result therefrom.]

* * * * * * *

(d)(1) Except as provided in paragraph (2), the term of any loan made under this title shall be determined by the borrower at the time the loan is made.

(2) The term of any loan made under this title shall not exceed the maximum term for which a loan may be made under section 4.

* * * * * * *

[SEC. 412. BORROWER NET WORTH.—Except as provided in subsection (b)(2) of section 408, notwithstanding any other provision of law, a loan shall not be made under section 201 of this Act to any borrower which during the immediately preceding year had a net worth in excess of 20 per centum of its assets unless the Administrator finds that the borrower cannot obtain such a loan from the telephone bank or from other reliable sources at reasonable rates of interest and terms and conditions.]

SEC. 412. FULL USE OF TELEPHONE BANK LOAN AUTHORITY.

(a) FULL USE.—(1) IN GENERAL.—If an appropriations Act authorizes the telephone bank to make loans in a fiscal year and such Act requires that, within available resources and available authority, gross obligations for the principal amount of such loans be not less

than a specified amount and not more than a different specified amount, the Governor of the telephone bank shall obligate for such loans for such fiscal year, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions that may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds available to the Governor to the extent such unobligated funds do not exceed the greater of such specified amounts.

(2) SPECIAL RULE.—Notwithstanding paragraph (1), until all unobligated funds available to the Governor of the telephone bank for any fiscal year before fiscal year 1990 have been expended, the Governor shall obligate for loans under this title, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions that may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds available to the Governor.

(b) RELATION TO OTHER LAW.—No subsequent statute may be held to supersede or modify this section, except to the extent that it does so expressly.

FARM CREDIT ACT OF 1971

* * * * * * *

TITLE III—BANKS FOR COOPERATIVES

PART A—BANKS FOR COOPERATIVES

SEC. 3.0. * * *

* * * * * * *

SEC. 3.7. LENDING POWER.—(a) * * *

* * * * * * *

(f) The banks for cooperatives are authorized, for the purpose of the installation, expansion, or improvement of water facilities or systems or waste disposal facilities, to make and participate in loans and commitments and to extend other technical and financial assistance to—

(1) cooperatives formed specifically for the purpose of establishing or operating such systems; and

(2) rural municipalities having populations not in excess of 20,000 inhabitants, if the proceeds from such loans are used to expand existing water or waste facilities in such municipalities, to enhance the economic development of such municipalities, or to address health-related problems of the inhabitants of such municipalities.

SEC. 3.8. ELIGIBILITY.—(a) * * *

(b) Notwithstanding any other provision of this section:

(1) The following entities shall also be eligible to borrow from a bank for cooperatives:

(A) * * *

* * * * * * *

(D) Any cooperative or municipality described in section 3.7(f).

* * * * * * *

ACT OF MAY 8, 1914

Chap. 79—AN ACT To provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of an Act of Congress approved July second, eighteen hundred and sixty-two, and of Acts supplementary thereto, and the United States Department of Agriculture

SEC. 1. *(a) AGRICULTURE, ENERGY AND HOME ECONOMICS EXTENSION WORK.*—In order to aid in diffusing among the people of the United States useful and practical information on subjects relating to agriculture, uses of solar energy with respect to agriculture, home economics, and rural energy, and to encourage the application of the same, there may be continued or inaugurated in connection with the college or colleges in each State, Territory, or possession, now receiving, or which may hereafter receive, the benefits of the Act of Congress approved July second, eighteen hundred and sixty-two, entitled "An Act donating public lands to the several States and Territories which may provide colleges for the benefit of agriculture and the mechanic arts" (Twelfth Statutes at Large, page five hundred and three) and of the Act of Congress approved August thirtieth, eighteen hundred and ninety (Twenty-sixth Statutes at Large, page four hundred and seventeen and chapter eight hundred and forty-one), agricultural extension work which shall be carried on in cooperation with the United States Department of Agriculture: *Provided*, That in any State, Territory, or possession in which two or more such colleges have been or hereafter may be established, the appropriations hereinafter made to such State, Territory, or possession shall be administered by such college or colleges as the legislature of such State, Territory, or possession may direct. For the purposes of this Act, the term "solar energy" means energy derived from sources (other than fossil fuels) and technologies included in the Federal Non-Nuclear Energy Research and Development Act of 1974, as amended.

(b) RURAL DEVELOPMENT EXTENSION WORK.—(1) NATIONAL PROGRAM.—The Secretary of Agriculture shall establish a national program, to be administered by the Extension Service, to provide rural citizens with training in, technical and management assistance regarding, and educational opportunities to enhance their knowledge of—

(A) beginning new businesses through entrepreneurship;

(B) the procedures necessary to establish new businesses in rural areas;

(C) self-employment opportunities in rural areas;

(D) the uses of modren telecommunications and computer technologies;

(E) business and financial planning; and

(F) such other training, assistance, and educational opportunities as the Secretary determines are necessary to carry out the program established under this subsection.

(2) Leadership Abilities.—The program established pursuant to this subsection shall provide assistance designed to increase the leadership abilities of residents in rural areas. Such assistance shall include—

(A) information relative to the development of community goals;

(B) instruction regarding the methods by which State or Federal funding for rural development projects might be obtained;

(C) instruction regarding the successful writing of applications for loan or grant funds from government and private sources;

(D) an updated listing of State, Federal, and other economic development programs available to rural areas; and

(E) such other training, information, and assistance as the Secretary determines necessary to increase the leadership abilities of residents in rural areas.

(3) Catalog of Programs.—In order to facilitate the program established under this subsection, the extension service in each State should develop, maintain, and provide to each community, and make accessible to any other interested party, a catalog of available State, Federal, or private programs that provide leadership training or other information or services similar or complementary to the training or services required by this subsection. Such catalog should include, at a minimum, the following entities within the State that provide such training or services:

(A) any rural electric cooperative;

(B) any nonprofit community development corporation;

(C) any economic development district that serves a rural community;

(D) any nonprofit subsidiary of any private entity;

(E) any nonprofit organization whose principal purpose is to promote economic development in rural areas;

(F) any investor or publicly owned electric utility;

(G) any small business development center or small business investment company;

(H) any regional development organization;

(I) any vocational or technical school;

(J) any Federal, State or local government agency or department; and

(K) any other entity that the Secretary deems appropriate.

The extension service in each State should include in the catalog information relative to the specific training or services provided by each entity in the catalog.

(4) Employee Training.—The Secretary shall provide training for State extension service employees to ensure that such employees understand the availability of rural development programs in their respective States and the availability of Extension Service staff qualified to provide to rural citizens and to State extension staff training and materials for technical, management, and educational assistance required by this subsection.

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SUPPLEMENTAL VIEWS OF MR. GLICKMAN

Economic development in rural America depends on the extent to which individuals and businesses have access to affordable supplies of credit for financing new ventures and the expansion of existing businesses. The Farm Credit System, with its deep roots in rural America, its history and legislative mandate to supply credit to rural America, and its technical expertise in the needs of rural areas, has the potential to play a productive role in supplying long term, stable financing for economic development activities. However, certain legislative barriers as well as certain institutional barriers are preventing the realization of this potential.

It has been my intent to explore ways to open these barriers and open the way to tap into the unique credit facilities of the Farm Credit System. I believe we need to proceed both in terms of amending outdated laws as well as fostering greater cooperation between System institutions and private bankers.

I do not intend to offer amendments to this bill; however, I will reserve the right to offer such amendments in the future. In part, my decision not to proceed with an amendment to expand the ability of the System to offer processing and marketing operations loans and farm-related service loans is due to the evidence of greater cooperation between the System and commercial lenders in recent weeks to explore ways these two lenders can pool resources in joint ventures to meet the needs of rural America.

As our small towns continue to lose population and economic opportunities shrink, I believe it is imperative that not only do we maintain a viable physical infrastructure in rural America but that we also keep in place a strong financial infrastructure on which future growth can rest. Our role in the Congress is not to mandate that certain loans or lending takes place; rather, our role is to ensure that lenders are not precluded from financing economic expansion because of antiquated laws and to ensure that legislative barriers to not exist to prevent joint ventures between the commercial banking sector and the Farm Credit System.

I believe that the recent debate on this issue in recent weeks has been productive in identifying potential problems and I will continue to examine ways to ensure that rural America has available the credit it needs for future growth.

DAN GLICKMAN.

ADDITIONAL VIEWS OF HON. CHARLIE ROSE, WALTER B. JONES, H. MARTIN LANCASTER, JIM OLIN, ROBIN TALLON, DAVE NAGLE, ARLAN STANGELAND, JAMES T. WALSH, BILL GRANT, RON MARLENEE, ROBERT F. SMITH OF OREGON, AND TOM LEWIS

H.R. 3581, as reported by the Committee on Agriculture, seeks to address significant economic development problems which exist in rural America. We applaud the efforts which have been expended in terms of identifying the particular problems Rural Americans face, as well as the efforts which have been made to seek more state and local input in terms of identifying problem areas.

However, we are concerned that a full and fair discussion of a number of rural economic development issues is severely limited by budget constraints, and that a commitment to economic development in our rural communities may be compromised by a lack of necessary funding for economic development initiatives.

Therefore, we think it is imperative that the Committee on Agriculture explore this issue further, in terms of recognizing the necessity of establishing priorities consistent with the goal of fostering true economic development in Rural America.

We believe that true economic development begins at a level which provides access for Rural Americans to life's most basic necessities, clean water and safe sewage disposal systems. There are many in America who take for granted both clean water and safe sewage disposal systems, yet there are many in our nation's rural communities who live on a daily basis without access to either clean water or a safe sewage disposal system. This is a situation which must be rectified.

Today we continue to have a tremendous unmet need for rural water-sewer loans and grants. Farmers Home Administration water-sewer loans and grants are the *only* federal programs exclusively targeted to meet rural water and sewer needs. In 1989 alone, the Farmers Home Administration had on hand some 2,000 applications representing over $1.3 billion in applications and pre-applications for funding rural water and sewage systems. Virtually every state in the nation had an overwhelming number of proposals on hand, and we feel that it is clear that more, not less, funding is necessary to resolve this problem.

Additionally, rural water-sewer funding has been cut by over 50% since 1981 due to budget constraints. This has occurred at a time when the Environmental Protection Agency (EPA) estimates that 80% of the sewage treatment systems not meeting EPA standards are located in small rural communities. There is a need for more than $28 billion in financing for sewer systems alone. Further, approximately two-thirds of all rural drinking water supplies violate federal drinking water standards. Yet in 1987 only about 8% of EPA construction grant money went to communities of less than 50,000 population.

H.R. 3581 does not prioritize funding in a manner which is consistent with the principle that the adequate infrastructure is key to encouraging the location of businesses and services for a community to locate in Rural America. Rather, H.R. 3581 provides for a depletion of water grant money in a manner which we think is inconsistent with the stated goal of giving all rural residents access to clean and safe drinking water.

TRANSFER OF APPROPRIATED MONIES FROM WATER GRANT TO EITHER BUSINESS AND INDUSTRY OR COMMUNITY FACILITIES PROGRAMS

In granting the State Board the authority to prioritize economic development related requests, water and sewer emergencies receive priority treatment in terms of ranking. While it is clear that emergencies should receive a priority ranking, it is also clear that drinking water and sewage disposal issues should not have to constitute emergencies to receive priority rankings. Again, we feel that both safe drinking water and safe sewage disposal systems are among life's most basic necessities, and therefore, should be dealt with as priorities initially.

Further, water and sewer issues are but one of several considerations which must be assessed prior to determining the ranking of any given project by the State Board. This also lessens the importance of the problems posed by an inadequate infrastructure in Rural America.

As the State Board does not receive appropriated monies to dispense as it wishes, due to legal constraints, and the advisory nature of this Board, the Secretary of Agriculture ultimately must determine whether or not additional funds from water grant appropriations will be transferred to either business and industry or community facilities programs. Thus, the State Board's power to tailor requests to suit the needs of any particular local needs it might have are merely illusory, since the power ultimately resides with the Secretary of Agriculture.

The power granted to the Secretary of Agriculture to transfer appropriated monies from one program to another, based upon the advice he receives from the State Board, is a dangerous power which weakens the power of Congress to decide which programs are in the nation's best interests. If Congress were to quarrel with the discretion the Secretary of Agriculture exercises with respect to this transfer, it would be clear that Congress had no basis for argument, unless the decision could be shown to be arbitrary and capricious. Congress should be as specific as possible with the Department of Agriculture, especially where safe drinking water and adequate sewage disposal systems are concerned.

Charlie Rose.
Walter B. Jones.
H. Martin Lancaster.
Jim Olin.
Robin Tallon.
Dave Nagle.
Arlan Stangeland.
Jim T. Walsh.
Bill Grant.
Ron Marlenee.
Robert F. Smith.
Tom Lewis.

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